



**Gresham Technologies plc**  
Annual Financial Report 2022

# Gresham Technologies plc is a global leader in mission critical software and automation solutions for financial services.

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

Our purpose is to enable financial institutions to digitise their operations, giving them complete confidence in their data to improve competitiveness and manage risk and reputation. We have built an award-winning software platform which helps firms operate efficiently, manage risk, stay compliant and focus on their customers, knowing that their data and digital processes are under control.

## Our values



We Embrace  
Difference



We Create  
Together



We Champion  
Success

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# Reasons to invest in Gresham

We are aiming to build a £100m+ ARR SaaS business through a five-pillar growth strategy (see page 5). We have a highly experienced management team fully committed to delivering shareholder value.

## Global fintech leader

We have deep domain expertise and support 275 customers across 30 countries, including several of the world's largest banks.

# 275

customers across  
30 countries

> **CEO's statement**  
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## A culture of innovation

Our 215+ staff across 10 offices are amongst the most talented in the world, with strong values and a commitment to innovation. This keeps us at the heart of customer workflows.

# 215+

staff across 10 offices

> **Financial review**  
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## Long-term market drivers

Our addressable market is expanding as systemic data challenges persist and firms increasingly turn to modern automation solutions to secure operational efficiencies, meet regulatory obligations or meet customer demands.

# \$1.16bn

regulatory reporting  
solutions market

> **CEO's statement**  
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## Scalable SaaS business model

Our best-in-class software subscriptions are delivering high quality, high growth recurring revenues and strong margins, with 24% organic ARR CAGR in the last five years.

# 24%

organic ARR CAGR in the  
last five years

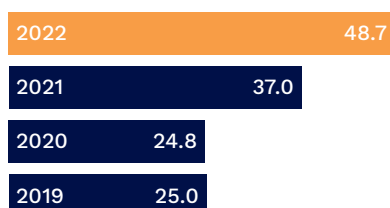
> **Financial review**  
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## Highlights

# Strong Clareti recurring revenues driving profitable growth

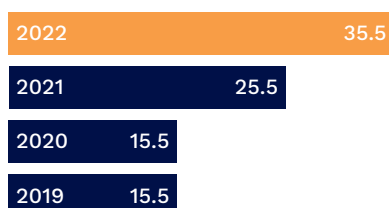
## Group revenue

**£48.7m** +32%



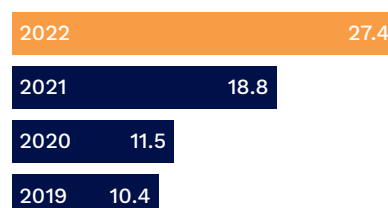
## Clareti revenue

**£35.5m** +39%



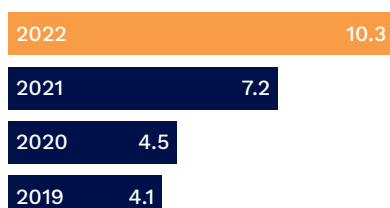
## Clareti recurring revenue

**£27.4m** +46%



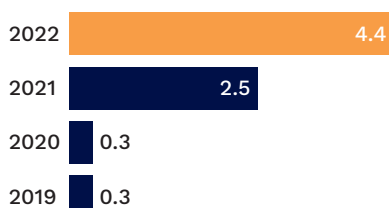
## Adjusted EBITDA

**£10.3m** +43%



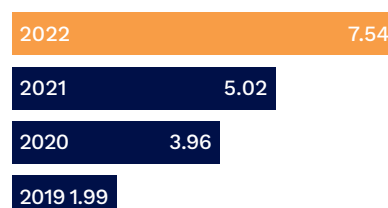
## Cash adjusted EBITDA

**£4.4m** +76%



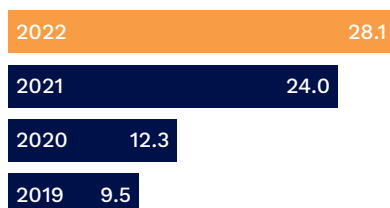
## Adjusted diluted earnings per share

**7.54p** +50%



## Clareti ARR

**£28.1m** +17%



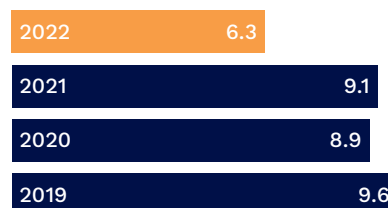
## Clareti ARR net retention rate

**102%** (4)%



## Cash

**£6.3m** (31)%



## Financial

- Forward-looking Clareti Annualised Recurring Revenue ("ARR") up 17% to £28.1m as at 31 December 2022.
- Group revenues up 32% to £48.7m.
- Clareti revenues up 39% to £35.5m.
- Clareti recurring revenues up 46% to £27.4m.
- Adjusted EBITDA<sup>(1)</sup> up 43% to £10.3m (2021: £7.2m).
- Cash adjusted EBITDA<sup>(2)</sup> up 76% to £4.4m (2021: £2.5m).
- Profit before tax as reported up £2.8m to £3.2m (2021: £0.4m), including expenses adjusted in EBITDA metrics above of £3.5m (2021: £3.5m).
- Adjusted diluted earnings per share<sup>(3)</sup> up 50% at 7.5 pence (2021: 5.0 pence).
- Cash at 31 December 2022 of £6.3m and no debt after payment of £4.4m in contingent consideration for previous acquisitions (2021: £9.1m and no debt)<sup>(4)</sup>.
- Final dividend proposed at 0.75 pence per share (2021: 0.75 pence).

## Operational

- Standalone Clareti business cash profitable for the first time, generating cash EBITDA<sup>(2)</sup> of £1.1m, as growth, scale and operating leverage begin to take effect.
- 12 new-name wins, including several Tier 1 financial institutions, bringing total customers to more than 275 across 30 countries.
- Electra business integration completed and delivering initial cross-sell and operating synergies.
- Strong growth in cloud and other recurring revenues.
- Net ARR retention for the year of 102%, highlighting growth within existing customer base.
- Continued growth and development of key accounts.
- Excellent economic returns being realised by Tier 1 firms replacing legacy reconciliation software with Control.
- Digital corporate banking product developed with Australia and New Zealand Banking Group now deployed into production use.

## Outlook

- Larger, more resilient Group, with more than £42m of FY23 revenues under contract; providing significant visibility and a robust platform to execute growth strategy.
- Management confident about the prospects for the Group.

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

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

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

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

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

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

## At a glance

# A global platform for growth

We are building a global fintech champion



**215+**  
Employees



**275+**  
Customers in  
30 countries



**102%**  
ARR net  
retention



**38%**  
five-year ARR  
CAGR



**10**  
Offices

### UK

- London
- Bristol
- Solihull
- Southampton

### EMEA

- Luxembourg

### Americas

- New York
- Florida

### Asia Pacific

- Singapore
- Kuala Lumpur, Malaysia
- Sydney, Australia



# Technology solutions for control and automation in financial services

Our vision for our customers is that their every action and decision is based on data and processes they can trust.

## Our platform

Clareti is our enterprise-grade SaaS platform to connect, reconcile and control “any and all” data and processes.

## Our solutions

### Reconciliation

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

### Regulatory reporting

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

### Connectivity

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

### Data aggregation

Access normalised, validated data on securities, cash positions, transactions, and trade fail investigations from 1,500+ global sources to feed reconciliations and other post-trade workflows.

## Our industries

**Capital markets**

**Banking and payments**

**Investment management**

**Energy and commodities**

**Insurance**

**Corporates**

## Growth strategy

Our growth strategy is based on five pillars:

### Cross-industry

We have an immediate addressable market of 500 banks globally and over 1,000 buy-side firms. We are already regarded as an innovative partner to many of the world's largest financial institutions, coupled with incremental opportunity from new industry verticals.

### Land and expand

By delivering ROI every day we believe we can increase revenues with our existing clients as they roll out our solutions across business lines and geographies.

### International

We have grown organically and entered new international markets over the last decade. Through the acquisition of Electra in June 2021, we have a large footprint in North America which gives us an important platform for growth.

### Cross-sell and solutions

We have a continuous programme of re-investment into product innovation, providing incremental growth opportunities and ensuring our market leadership position is maintained.

### M&A

In addition to strong organic growth, we have made a number of successful acquisitions and have the financial strength and trusted partner client relationships to lead further consolidation.

## Chair's statement

# Building a valuable business in a substantial growing market



**Following another successful year, which has seen the Group build on the momentum of previous periods, I am pleased to say that Gresham has finished 2022 as a stronger company. Despite the challenges that macro headwinds have brought to most industries and businesses, we have continued to deliver against our strategic priorities and established a strong foundation upon which to achieve scalable growth and fully capitalise on the opportunities available in the market.”**

## Dear shareholder

### Overview

I am pleased to report on another period of sustained progress for Gresham Technologies. This year has seen the full benefits of our M&A and integration programme being realised through the transformational acquisition of Electra, while the optimisation of our sales team has meant that core product lines have performed consistently across a mixture of industries and geographies as more global financial institutions invest in Gresham's expanded suit of solutions. The Group's progression against its strategic vision has been a result of strong leadership, market-leading solutions and a highly committed and talented global team.

Throughout the period under review, we have built upon the momentum delivered in FY21 and continued to execute effectively against our growth strategy. We have secured 12 new Clareti customers, including substantial long-term agreements with three global Tier 1 financial institutions, and successfully executed on our land and expand strategy by winning new projects with existing clients, resulting in ARR net retention levels in excess of 100%.

Overall, the Group's performance has been strong with two upgrades to forecasts during the year. Revenue for the period was significantly up 32% to £48.7m (2021: £37.0m), adjusted EBITDA increasing 43% to £10.3m (2021: £7.2m), and operating profit increasing by £3m to £3.5m (2021: £0.5m). In a year that has seen a number of challenging macroeconomic headwinds impacting the wider sector, this is an outstanding achievement for the Group.

Based on the overall financial performance and the cash within the business, the Board will be recommending a final dividend of 0.75 pence per share (2021: 0.75 pence) at the forthcoming AGM.

### Delivery against our strategic vision

2022 saw strong progress against the major strategic goals identified by the Board, including:

- the full integration of Electra, and the realisation of its impact on improving customer stickiness and incrementally increasing ARR;
- very good revenue visibility across both Clareti and non-Clareti, with over £42m of 2023 Group revenues already under contract; and
- increased investment in global sales and marketing teams to capitalise on the market opportunity.



## People and culture

I am delighted to report that we have had another “best ever” result from our annual Employee Engagement Survey. This continues a six-year trend of improvement in overall engagement, with a response rate increase to 72% and an overall engagement score of 82% (2021: 78%).

Gresham’s excellent culture is exemplified by our high staff retention rate, something of an anomaly for the sector. As a people-oriented business, Gresham goes to great lengths to remain competitive as an employer and ensure that it is a welcoming and rewarding environment for all of its staff.

I would like to take this opportunity to thank our team across the globe for their hard work and dedication throughout the year, without whom the successes during the year would not have been possible.

## ESG

The Board is committed to operating the business in a sustainable way, which includes managing our impact on the environment, our social responsibilities to our people and those within our communities, improving outcomes for our customers, and operating as an ethical business through direct and indirect practices. Further details of the Group’s ESG strategy can be found starting on page 24 to 31.

During the period, Gresham released a comprehensive statement regarding the Task Force on Climate-Related Financial Disclosures (“TCFD”) for financial year 2021. Disclosure for 2022 can be found starting on page 27 to 29.

## Outlook

Following another successful year, which has seen the Group build on the momentum of previous periods, I am pleased to say that Gresham has finished 2022 as a stronger company. Despite the challenges that macro headwinds have brought to most industries and businesses, we have continued to deliver against our strategic priorities and established a strong foundation upon which to achieve scalable growth and fully capitalise on the opportunities available in the market.

As we continue to progress, the Group will focus on:

- optimising our global sales and marketing capabilities via strategic investments;
- continuing to grow and diversify ARR by leveraging the platform we have built; and
- remaining cognisant of further M&A opportunities that meet Gresham’s financial criteria and enhance existing operational capabilities.

The Board remains confident in the year ahead and the medium term opportunity for Gresham to address the expanded market opportunity in front of us.

## Peter Simmonds

NON-EXECUTIVE CHAIR

13 March 2023



**I would like to take this opportunity to thank our team across the globe for their hard work and dedication throughout the year, without whom the successes during the year would not have been possible.”**

## Business model

# Creating value from innovation and recurring revenues

## Our strengths

### Compelling market opportunity

The financial services industry is being re-imagined through digital transformation and regulatory pressures, but firms are constrained by their legacy systems. This creates a compelling market opportunity for smarter automation and technology controls over data and processes.

➤ **CEO's statement**  
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### Disruptive technology

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

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### People and culture

We have an exceptional pool of talent that incorporates a vital blend of skills and experience. Our deep domain expertise and dynamic culture ensure we continuously develop and deliver effective solutions for our customers, establishing us as trusted advisers.

➤ **People and culture**  
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## Our business



### Sales and marketing

Our direct sales team are based in major financial centres and focus on our key sectors. Targeted lead generation and other marketing initiatives are used to originate new clients, be they big global accounts or regular mid-sized firms. Account expansion is delivered through increased usage, up-sells and cross-sells. We also generate indirect sales through our partner channels.

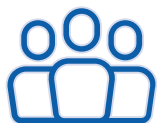


### Charging model

We operate a subscription model for software and cloud solutions. Subscriptions are typically limited by geography, business line, modules and/or volume to allow for future account expansion. Fees are generally charged annually in advance, although some contracts are usage-based with monthly or annual true-ups. Managed services are charged on an annually recurring basis. One-off professional services are charged on a time spent basis.

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

## Creating value



### Customer success

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



### Operations

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

### For investors

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

### For customers

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

### For employees

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

## CEO's statement

# A year of strong growth and successful execution



**We won key contracts in the US, Europe and Asia Pacific in 2022, highlighting the global challenges facing the financial sector, the repeatability of our solutions, and the increasing maturity of our sales efforts. With the hard work of our talented global team, we have created the foundations for success and remain confident in our ambition to build a £100m ARR SaaS business.”**

## **Dear shareholder**

### **Overview: step-change in strategic opportunity**

2022 has been a very pleasing year, with operational progress right across the Group and a step-change in strategic opportunity, reflecting all the building blocks we have put in place over the last three years. In particular, the successful integration of the 2021 Electra acquisition has not only delivered initial contract successes but, combined with our established Clareti team and roadmap, is opening up far more extensive client conversations. The proof points of that progress includes the high retention rate of Electra clients, a number of cross-sell wins and upgrades in our trading performance through the year; resulting in positive Clareti cash EBITDA as operating synergies have materialised.

Our Clareti technology solutions now provide major banking and investment management clients with the tools to connect, reconcile and control their data, enabling them to automate their post-trade business processes and have confidence in their digital operations. In the year, we signed 12 new clients to reach more than 275 across 30 countries and successfully added some of the world's largest financial companies. This included one of world's largest asset managers that signed a contract for Control and Data Services in the cloud to replace a legacy reconciliation product and to streamline its data aggregation processes. The US-based firm, consistently ranked in the top five global asset managers by AUM, will partner with Gresham to consolidate all market-facing reconciliations and data controls for their corporate business onto a modern cloud platform with an initial order value of \$1.9 million.

We have also won key contracts in Europe and Asia Pacific, highlighting the global challenges facing the financial sector, the repeatability of our solutions and the increasing maturity of our sales efforts. During the period, we also saw wins in the payments, energy and digital asset sectors, as well as our core capital markets segments.

Clareti ARR grew £4.1m, or 17%, to £28.1m and recurring revenues increased by 46%, up £8.6m, to £27.4m, highlighting the significant scale-up of the business over the last year. Higher gross margins, as well as the growth in revenues, contributed to Clareti cash EBITDA of £1.1m and, at Group level, cash EBITDA up 76% to £4.4m. We finished the year with a strong balance sheet, including cash balances of £6.3m after making the first deferred consideration payment for Electra.

### **Market: continuous waves of regulation and digital optimisation**

A number of key drivers continue to support our growth outlook:

#### **Managing risk and regulation**

All businesses need to invest in their core processing systems and data platforms to create more intelligent and automated solutions that reduce the need for manual interventions and the risk of error. Within the financial services sector, this has been compounded over the last 15 years by growing regulatory pressures and scrutiny. This increases the need for financial institutions and banks to have timely and accurate processing, coupled with greater transparency and accountability. Our software helps companies connect, reconcile and control the many disparate sources of transaction, finance, and risk data to ensure accurate day to day processing, and to satisfy and report on new and existing regulations.

Given the size of our client base, this underpins a steady flow of up-sell contracts and services opportunities for Gresham. New regulation drivers in 2022 included The European Market Infrastructure Regulation ("EMIR") Refit which is designed to amend and simplify European markets infrastructure and brings with it major changes, including an uplift in the number of reportable data items.

In the US, the Securities and Exchange Commission have proposed shortening the standard settlement cycle for most broker-dealer securities transactions from two business days following the trade date (T+2) to one business day (T+1), with implications for how broker-dealers, investment advisers and clearing agencies process institutional trades.

The pressure on public finances globally has also meant there is now an even greater focus by government departments and regulators on maximising their collection of taxes, with implications right across the eco-systems of many financial companies. Further regulation and heightened scrutiny increase the need for banks and fund managers to review, simplify and potentially upgrade their systems. The global market for regulatory reporting solutions is expected to reach USD \$1.16bn by the end of 2026, with a CAGR of 19.5%.

### Digital automation and platform modernisation

Aligned with the above, we are part of our clients' investment to digitise their processes, reduce their operating costs through automation, and serve their customers better. We are part of programmes globally aimed at improving the quality, connectivity and exploitation of data to deliver more intelligent business outcomes. Of particular note are the ageing legacy reconciliation systems implemented on-premise throughout the industry during the 1990s and early 2000s, which are expected to be replaced by modern, more flexible, often cloud-based alternatives, over the coming years.

### Underpinning business success

Our software not only enables businesses to survive in the modern era, but importantly, to become more competitive through access to information and agile decision-making, which underpins the launch of new products and innovative customer propositions. Given the tightening economy and ever competitive nature of financial markets, the operating efficiencies we deliver are greatly valued by our clients.

### Expanding market

The factors above underpin growth from our existing base and traditional markets. However, the overall size of the addressable market for Clareti solutions and the competitiveness of our offerings are continually expanding, and we are increasingly looking for opportunities to diversify further into new markets such as retail banking and payments, energy and the control of digital asset data processing. At a high level, the risk management software market is valued at around \$35 billion and is expected to grow at a CAGR of 10%+ in the medium-term.

### Helping our clients manage macro headwinds

The macro and market backdrop will mean that banks and fund management companies are mindful of ensuring value for money as they review their IT budgets. Consequently, decision-making cycles are likely to increase. However, these large enterprises have often patched together legacy solutions or relied on in-house teams to build and maintain software, with the obvious challenges of retaining know-how. The result is often inaccurate, incomplete and poor-quality data, frequent breakages, a black-box of manual workarounds and quick fixes, and platforms that struggle in terms of volume and speed as new regulations layer on further demand and complexity.

In addition, as companies, CIOs and COOs pause for breath, they are under pressure to focus on remaining agile and competitive, as well as compliant, and are faced with dealing with unexpected challenges such as remote working. In many cases we will respond to RFPs to replace legacy systems, and in 2022 we won a number of contracts where we replaced older competing technology, processes and platforms built in-house over time. This all provides opportunity for Gresham and adds to our own operational protection even as economies struggle. Within banking, there are business and product lines where a higher interest rate environment is in fact favourable to financial success, and here there will be a desire to reinvest in technology along the way.

### Operational progress: executing on our strategy

Post the transformative acquisition of Electra, we have been focused on integrating the business, processes and people, and building a go-to-market platform and optimising our product roadmap. This will propel us towards our ambition of creating a leading £100m ARR fintech with high margins, strong cash generation, and attractive valuation multiples typical of large mature enterprise software firms.

## CEO's statement continued

### Products and solutions: optimising our roadmap and branding

During the year we have seen the benefits of re-packaging our platform capabilities, including the Electra assets, into three Clareti product lines: Control, Data, and Connect; each with its own roadmap to encourage agility and innovation. Our products can be combined to quickly deliver complete digital solutions for customers into environments where generic solutions are inadequate. They are available on a subscription basis in the customers' data centres, or on a software-as-a-service basis in a Gresham-hosted cloud. Optional subscriptions for the collection and aggregation of external data and/or the provision of managed services are also available as routes to ARR up-sell.

#### Control

Clareti Control, our flagship offering, is an "out-of-the-box" enterprise-grade business self-service platform for the reconciliation, exception management and control of "any and all" transaction data in financial markets. Clareti Control is now well established in the market for "non-core" data problems such as inter-systems reconciliations, with dozens of successful implementations. Over the last few years we have invested heavily into developing functionality for the "core" cash and securities reconciliations market, which legacy vendors have dominated for nearly three decades. We have now completed large-scale legacy vendor product migrations in the US, Asia and Europe; delivering exceptional improvements in match rates, operating efficiencies, and total cost of ownership. A high-performance upgrade loading and matching technology went live at several customers, providing a path to solving the next generation of problems as financial markets move to ever tighter processing cycles.

Whilst many of our earlier customers chose to deploy Control on-premise, our Clareti-as-a-Service cloud offering is gaining traction in the market, and during the year we processed over 4.4 billion records in the cloud on behalf of our customers. We continue to invest in cloud-native architecture, thin-client user interfaces, and self-service functionality.

#### Data and Connect

Our Data and Connect solutions allow customers to participate in the complex inter-connected global financial system without needing to be concerned with third party data access, integration risk, cost, and time to market.

Our Data solution provides a cloud data collection and aggregation service for investment managers and fund administrators. On average, a US medium-sized buy-side firm uses 59 data feeds, and we collect over 2,500 sources of data across our cloud, highlighting the complexity for the client and the breadth of our solution. Last year, our Data service processed over 14.5 billion records from our secure data centres and operated with exceptionally high levels of service and support. We now retrieve, process and deliver data to over 275 investment managers. Our goal is to become the leading independent provider of bank and custodian account data to the investment management industry. We are investing to streamline the tooling that underpins the Data service which will enable us to further improve margins as we scale.

Our Connect solutions enable customers to interact with their bank partners for payments and statements, support straight through processing to trading venues, connectivity to regulatory reporting venues, and interoperability with other industry applications. Connect provides not only connectivity but intelligent control over highly complex real-time data flows. During 2022 we went live with several customers on our latest cloud native platform and will progressively migrate our installed base across to the new technology.

#### Digital Banking

Over the last few years, we have reported regularly on the progress of our strategic innovation partnership with ANZ. I am pleased to confirm that the first product deliverable from the partnership, a cloud-native bank account platform, successfully progressed into first production use at the end of the year. ANZ continues to fund the product development work via a chargeable Innovation Service, and an exciting roadmap for future funded releases has been jointly mapped out. We intend to promote this solution in the global market in 2023 under a new product brand. Launch plans are prepared and we look forward to sharing further details in due course.

#### New contract wins

In addition to our Control and Data contract win with the top five global asset manager and the Connect win with Tier 1 bank announced in December 2022, we have had other notable new customer wins in the year. This included one of Europe's largest privately held banking and financial services firms that signed a contract for Clareti Control to replace legacy vendor products across its global asset management business, consolidating all reconciliations and data controls onto a single modern cloud platform. The initial contract has a minimum five-year term with total committed subscription fees in excess of £1m. In Asia, we signed one of Singapore's newest digital banks, and there were multiple new names in Europe, several of which are public references available on our website.

### Customer success: expanding within current clients

In May we were pleased to announce one of our largest ever contracts, a significant subscription agreement for Clareti software with an existing customer, one of the world's largest commercial and retail banks, for £6.3m (over five years). This followed an initial contract for the first deployment of Clareti Control within its UK operations in June 2020. As a result of the success of the initial project, the bank has chosen to adopt our technology as its single enterprise control platform across the entire UK business including retail accounts, cards, payments, and commercial banking. The platform will be used to deploy a range of new controls, as well as replace existing manual processes and legacy vendor solutions.

In December, we announced an initial \$1.3m enterprise agreement with one of world's largest banks, to extend the use of Connect across their entire post-trade prime brokerage business. The solution will replace legacy FIX processing infrastructure to streamline market connectivity and client onboarding. The contract has a five-year committed term, with minimum incremental subscription fees and additional recurring usage-based fees. This award was particularly pleasing as we have been working directly with this client since our acquisition of Inforalgo in July 2020.



The two Tier 1 bank early adopters of our Control for Cash and Securities product are now live at scale and realising the benefits of replacing legacy systems. One of these implementations has delivered a 35% improvement in automated match rates, giving the client a substantial economic benefit in terms of headcount.

We continue to maintain and grow our relationship with long-standing client, ANZ Bank. In September, we signed contracts totalling over AUD \$19m to cover the period until September 2023. This contributed to account growth of approximately 15%, with uplifts in both the Clareti and non-Clareti businesses from recurring software, recurring managed services, consulting and contracting services.

During the year, our professional service teams supported 64 new go-lives with customers and were engaged in over 150 active projects. We now have reference clients in all of our targeted industry segments and key geographies across the breadth of our solution portfolio.

## People

Gresham's commitment to its people is at the centre of what we do. We continue to invest in both our team and our community to ensure we remain both an attractive and enjoyable work environment for current and future employees. These investments have focused on optimising operational efficiencies post-Electra through upskilling and consolidating, while providing all of the resources required to support our people in their work through collaboration tooling, on-line training, internal events, leadership, and mental health accreditations.

A stand-out in the year has been our success in hiring and building out our sales and marketing team. We now have a strong team in place across Europe, US and Asia; and, given the global breadth of our client wins over the last year, we believe this leaves us very well placed to expand within our current client base as well as win new ones.

These investments in our people have been a success and I am pleased to report a sixth consecutive record result from our annual employee engagement survey. It was hugely pleasing to see the total response rate increase to 72%, while our overall engagement score increased to 82%. We are particularly pleased to report that our newly added questions on diversity and inclusion scored very well and validate our efforts in that area.

## Brand and vision

In the decade since commencing the Clareti business, Gresham has been transformed into a respected provider of data and process control solutions to global financial markets. Our programme of acquisitions has further strengthened our market presence and extended our product portfolio and customer base. Our vision is for Gresham to become a world-leading provider of cloud-based post-trade solutions aligned with our mission of making business flow and reducing friction in financial markets.

## Acquisitions

Over the last few years we have successfully made three small bolt-on acquisitions, C24, B2, and Inforalgo; each with c.£1m ARR when acquired. We have now fully integrated the transformational acquisition of Electra, which we made in 2021, contributing over £9m of ARR. All four acquisitions have been financially and strategically accretive and the average 3x ARR we have paid for these businesses highlights our discipline, track record and return for shareholders. We continue to look at acquisitions that are in-line with our strategic vision. However, we will remain focused on how we allocate capital and be selective in making further acquisitions.

## Current trading and outlook: robust foundations and positioned to grow

Our success reflects our research, planning and focus on delivering value to our clients. The team's years of hard-work, together with significant investments in people and infrastructure, have put in place the building blocks of a diversified and scalable fintech platform with a market-leading product portfolio, highly invested cloud architecture, established blue-chip global customer base, and an ambitious, proven management team.

We have started 2023 well, and while macro challenges persist, we have highlighted that the pressure for efficiency and competitiveness means our clients and target clients have a need to engage with us in tougher times as well as good ones. We have a business today which has a good balance between Europe and the US, and a growing presence in Asia, with a core addressable market greater than c.\$500m and opportunity to expand further across the wider financial services sector.

We entered 2023 with very good visibility across both Clareti and non-Clareti, with over £42m of Group revenues already under contract and confidence in our growth outlook. We have a good pipeline of new clients in our core markets, and we also have demand in the insurance, energy, government and other sectors which we continuously look at how best to service. With the difficult economic backdrop, we continue to carefully manage product and people investments and ensure that, as the operating leverage of our model becomes increasingly evident, we can deliver sustained profit and cash growth over the next few years.

With the support of shareholders in building our platform, and the hard work of our talented global team, we have created the foundations for success and remain confident in our ambition to build a £100m ARR SaaS business with best-in-class performance metrics expected of a valuable global financial technology company of substantial scale.

## Ian Manocha

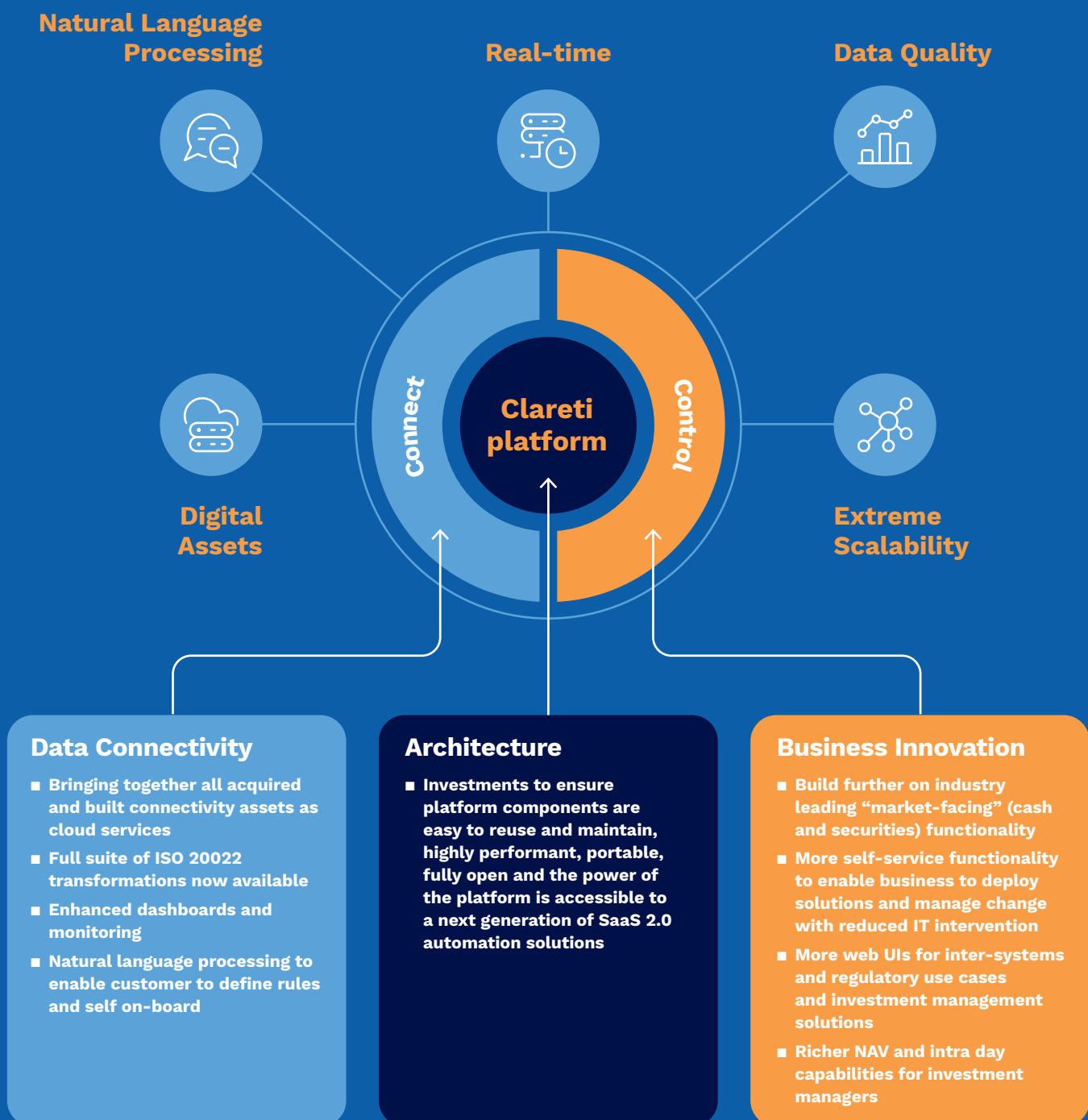
CHIEF EXECUTIVE

13 March 2023

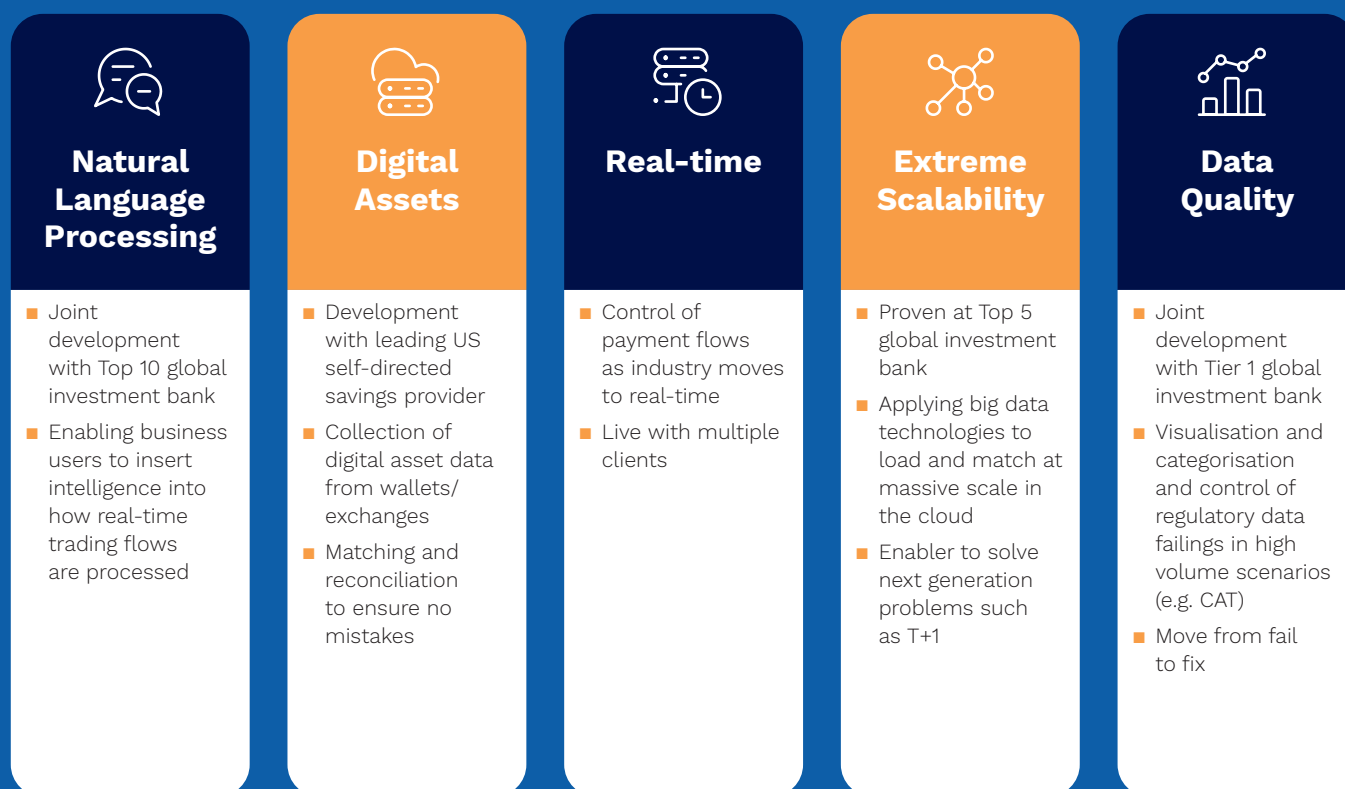
## Innovation

# Differentiated digital products for a complex data landscape

## Growth – investing in our platform

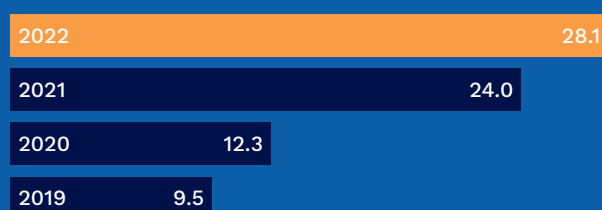


## Recent product innovation

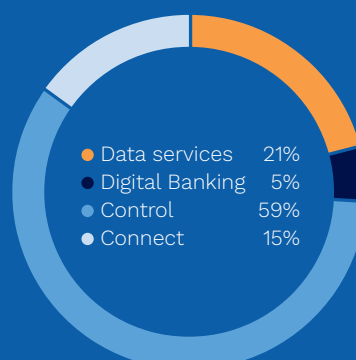


### Clareti ARR

**£28.1m +17%**



### Customers by product



## Strategy

# Our route to long-term success

Our strategic plan is designed to drive profitable growth and create long-term shareholder value.

## 1

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

### Key achievements in 2022

We increased Clareti ARR by 17% (see KPIs, page 20). Clareti ARR now represents 89% of Group ARR (2021: 85%), and 57% of our Clareti ARR is generated from our cloud solutions (2021: 57%).

### Key priorities for 2023

We will continue to invest in sales and marketing capacity generally. We will look for opportunities to move into new geographies and to strengthen our team. We will increase our focus on managed services, account expansion and renewals.

## 2

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

### Key achievements in 2022

We have integrated Electra into the Group and secured strong customer and talent retention rates. We have delivered Clareti revenue and profitability growth, with Clareti becoming cash positive for the first time, thereby increasing the value of the Group.

### Key priorities for 2023

We will aim to achieve additional revenue, cost and operational synergies from our acquisitions to enhance Clareti revenue and profit. We will continue to explore appropriate acquisition opportunities.

3

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

#### Key achievements in 2022

We delivered global, industry-specific and geography-specific strategic marketing programmes to promote our brand and support revenue growth. Key components of our plans included the voice of the customer, adding customer-attributed quotes, as well as digital enablement and thought leadership initiatives.

#### Key priorities for 2023

Our marketing priorities in 2023 are geared towards brand amplification, market research, industry analyst, journalist and social media engagement across a host of digital and online channels. These priorities will co-exist alongside a beat-rate of demand generation programmes.

4

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

#### Key achievements in 2022

We proved our market-facing product investments by completing multiple migration projects from our main competitor’s solutions. We delivered an extreme volume release of Control to process billions of transactions on commodity hardware, and also delivered feature rich APIs for direct integration with the Clareti platform.

#### Key priorities for 2023

We will release thin client user interfaces and further API enhancements to increase product appeal and integration. We will demonstrate new, intelligent automation capabilities that increase customer ROI from our products. We will continue to expand our capabilities across all products.

5

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

#### Key achievements in 2022

Our non-Clareti business has operated strongly, and its contribution has supported Clareti investments. The contracting services business in Australia performed strongly once again. We made the decision to discontinue our legacy EDT line of business.

#### Key priorities for 2023

We will continue to operate the non-Clareti business as effectively and profitably as possible, whilst avoiding risk and minimising operational complexity. We will keep legacy products under review and consider changes or discontinuations where appropriate.

## Strategy in action

# Putting stakeholders in control of their data, operations and growth



## CONTROL

A single source for end-to-end automation, validation and reconciliation of data, controls, workflows and reporting.



Gresham's Control solution is already improving our control mechanisms while simultaneously allowing us to innovate and scale. This particular model was exactly suited to meet the challenges we're facing today, and Gresham's best-in-class technology stack is aligned with several of our future objectives. We're looking forward to expanding our relationship to leverage additional solutions and services, which are essential to our business growth targets."

Morten Juhl Lilleøre  
HEAD OF OPERATIONS  
BANKING CIRCLE

## 50%

Typical reduction in exception handling by firms using Control

## 97%

Reduction in time to onboard new controls



## CONNECT

Fully managed intelligent connectivity, data migration and integration with trading partners, banks, clients, regulators and other venues across the financial services ecosystem.



We were struggling with in-house development resources, with even fewer understanding the differing types of Post Trade feeds across trading systems that our primary dealer business needed. Our main aim was to be up and running quickly so time-to-market was important, but as with any business scaling up, controlling operational connectivity and integration costs was also a factor – Connect allowed us to do just that and we couldn't be happier!"

HEAD OF MIDDLE OFFICE  
PRIMARY DEALER

## 42

Countries using Connect and Control at one multi-national corporation

## 350+

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





## DATA SERVICES

A fully outsourced service that aggregates, normalises and delivers accurate, reliable data on securities, cash positions, transactions and investigations.



Gresham's Data Services saves an immeasurable amount of time each day in collecting data, checking and chasing down feeds, managing and adding subscriptions, and normalising and delivering the data to our reconciliation workflows, portfolio accounting systems, and wherever we need to drive back-office efficiencies."

HEAD OF OPERATIONS  
LARGE INVESTMENT MANAGEMENT FIRM

1600+

Global data sources

4,800

Unique data feeds

1bn

Average number of records acquired each month on behalf of our customers



## MANAGED SERVICES

Flexible and scalable cloud deployment, operations and technical services supporting crucial parts of firms' connectivity, regulatory reporting and reconciliation workflows.



As our business underwent a period of significant growth, we found that the increased volume and complexity of data and reconciliations was putting more stress on our operations team, which would have required adding headcount. Thanks to Gresham's Managed Services, we are predicting another 50% reduction in reconciliation time, down to 15 hours per week. This is due to Gresham finding more ways to improve our process as we expand."

Julianna Jones  
OPERATIONS MANAGER  
WCM INVESTMENT MANAGEMENT

£20tn

In assets moved daily by our solutions

£3m

In yearly savings delivered for a tier one investment bank

## Key performance indicators

## Measuring our progress

## Financial KPIs

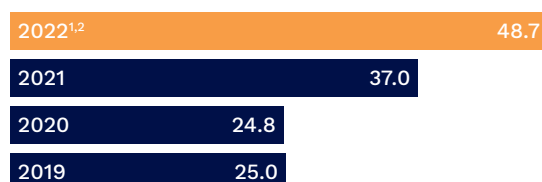
The following key performance indicators (“KPIs”) have been selected as the most appropriate financial measures of strategy execution for the Group. Performance of these KPIs has been discussed within the Chair’s Statement, CEO’s Statement and Financial Review.

## Notes

- (1) All KPI data excludes discontinued operations, except for profit before tax which includes discontinued operations and exceptional items.  
 (2) Values stated for 2021 include the impact of the acquisition of Electra.  
 (3) The adjustments to earnings per share and EBITDA have been provided in order to present the underlying performance of the business on a comparable basis (see note 5).

## Group revenue

£48.7m +32%



## Links to strategy

1 2 5

## Description

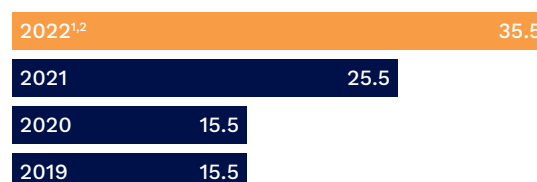
Total revenue generated and recognised in the year from all operations, including Clareti Solutions and Other Solutions.

## Why is it a KPI?

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

## Clareti revenue

£35.5m +39%



## Links to strategy

1 2 3 4

## Description

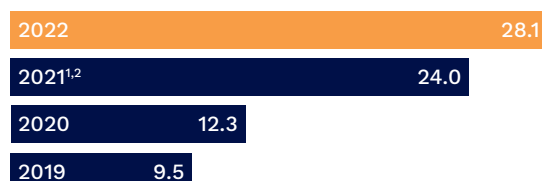
Total revenue generated and recognised in the year from Clareti Solutions.

## Why is it a KPI?

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

## Clareti ARR

£28.1m +17%



## Links to strategy

1 2 3 4

## Description

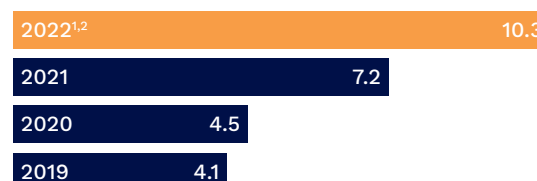
Aggregate value of all recurring revenues from Clareti Solutions that are either fully or partially contracted for the next twelve months and/or are highly expected to renew in the next twelve months. The value stated is as at 31 December 2022.

## Why is it a KPI?

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

Adjusted EBITDA<sup>(3)</sup>

£10.3m +43%



## Links to strategy

1 2 4 5

## Description

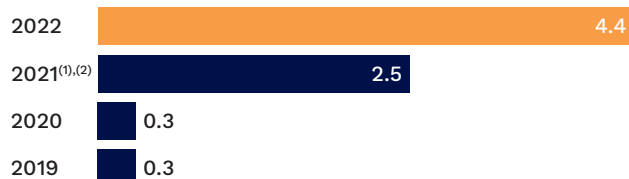
Group earnings before interest, tax, depreciation and amortisation, adjusted for share-based payment charges and exceptional items.

## Why is it a KPI?

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

## Cash adjusted EBITDA<sup>3</sup>

£4.4m +76%



### Links to strategy

1 2 4 5

### Description

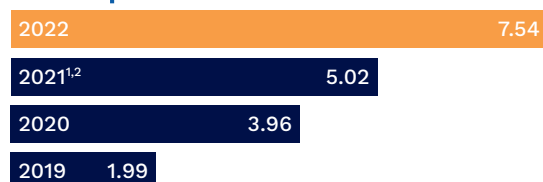
Adjusted EBITDA less capitalised development spend and any IFRS 16 lease-related cash payments.

### Why is it a KPI?

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

## Adjusted diluted earnings per share<sup>(3)</sup>

7.54p +50%



### Links to strategy

1 2 4 5

### Description

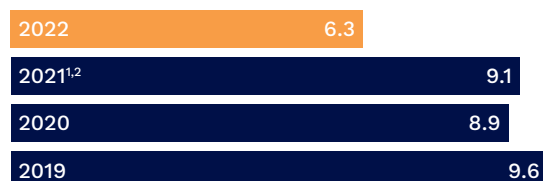
Earnings per individual share, taking into account changes in capital structure and issued equity on a fully diluted basis, adjusted for share-based payment charges, deferred tax charge on inter-group sale of IP, exceptional items and amortisation from acquired intangible assets.

### Why is it a KPI?

Measure of Group profitability that identifies performance on a per share metric and enables comparisons against other companies.

## Net cash

£6.3m (31)%



### Links to strategy

1 2 5

### Description

Aggregate net cash balance as at 31 December 2022 including bank deposits after operational, investing and financing activities during the financial year.

### Why is it a KPI?

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

## Non-financial KPIs

The following KPIs have been selected as the most appropriate non-financial measures of strategy execution for the Group. Performance of these KPIs has been discussed within the Chair's Statement, CEO's Statement and Financial Review. The Group tracks a number of other non-financial performance indicators operationally that are not considered to be individually relevant as measures of overall strategy execution success. This is reviewed annually.

### Number of Clareti customers

275+ (2021: 270+)

### Links to strategy

1 2 3 4

### Description

Total number of Clareti customers as at 31 December 2022.

### Why is it a KPI?

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

### Clareti ARR net retention rate

102% (2021: 106%)

### Links to strategy

1 2 3 4

### Description

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

### Why is it a KPI?

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

### People engagement score

82% (2021: 78%)

### Links to strategy

1 2 3 4 5

### Description

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

### Why is it a KPI?

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

## Stakeholder engagement

## Our stakeholders

## Section 172(1) statement

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

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

This section describes how the Directors have had regard to the matters set out in section 172(1) (a)-(f) of the Companies Act 2006, and forms the Directors' statement required under section 414CZA of that Act. In making this statement, the Directors have focused on matters of strategic importance to the Group, having regard to the size and complexity of its business.



## Investors

**Why engagement is important**

To communicate our long-term strategic objectives effectively and promote long-term holdings.

To secure investor support for our strategic objectives and ensure access to capital to deliver on our execution plans.

**How management and/or Directors engage**

AGM, analyst presentations, investor presentations, and, periodically, a capital markets day.

Individual investor meetings with the CEO, CFO, Chair and/or Committee Chairs.

**Strategic decisions in the year**

We organised a capital markets day for existing investors, prospective investors and analysts.

We enhanced our investor communications and messaging through our website and corporate materials.

We conducted shareholder consultations on remuneration matters.

➤ **For further information, see Statement of Corporate Governance, page 46**



## Workforce

### Why engagement is important

To retain talent and maintain high productivity rates.

To promote our culture, purpose and values, foster a healthy working environment for our workforce, support their wellbeing and be a responsible business.

To maintain competitive advantage and deliver market-leading solutions to our customers.

### How management and/or Directors engage

Transparent workforce engagement surveys, performance reviews, objective setting and formal policies and procedures. Engagement survey results are presented to the Board, with agreed action plans to address any areas of concern.

Regular “all-hands” meetings and visits to UK and overseas offices.

Supporting initiatives such as mental health awareness days, charity fundraisers and social events.

### Strategic decisions in the year

Following positive feedback from our workforce on the Group’s approach to working in the post-pandemic era, we introduced a formal hybrid working policy.

Following the lifting of COVID-19 restrictions, we held employee events in the UK and in the US to collaborate, connect and celebrate with each other.

We developed an ESG strategy and formed an ESG Champions Network to promote ESG-related topics; which are heavily influenced by our people rather than management.

➤ For further information, see People and Culture, page 24 and ESG, page 24



## Customers

### Why engagement is important

To ensure we meet or exceed our customers’ requirements and maintain competitive advantages.

To build a highly referenceable customer base with low attrition rates.

To identify and assess new market opportunities and collaborate with customers on high-value projects.

To promote brand loyalty and identify sales opportunities for other Gresham solutions.

### How management and/or Directors engage

Quarterly customer success meetings, involving management representatives.

Executive sponsorship programme for key accounts.

Chairing industry roundtables and customer forums to communicate and consult on product development priorities and new features to address emerging market requirements.

Customer satisfaction surveys on support incidents.

### Strategic decisions in the year

We made technology decisions and product investments to facilitate the integration of Electra and prior acquisitions and enhance our value proposition for customers.

We made significant investments in cyber security to secure ISO 27001 security certification.

We developed and strengthened our compliance processes to satisfy customer due diligence requirements.

➤ For further information, see CEO’s statement, page 10 and ESG, page 24



## Suppliers

### Why engagement is important

To ensure that we operate our business effectively and without disruption.

To act fairly and responsibly with respect to our suppliers.

To adhere to our contractual obligations to suppliers.

### How management and/or Directors engage

Key supplier relationships are managed by the relevant members of the management team.

We participate in supplier reviews when requested.

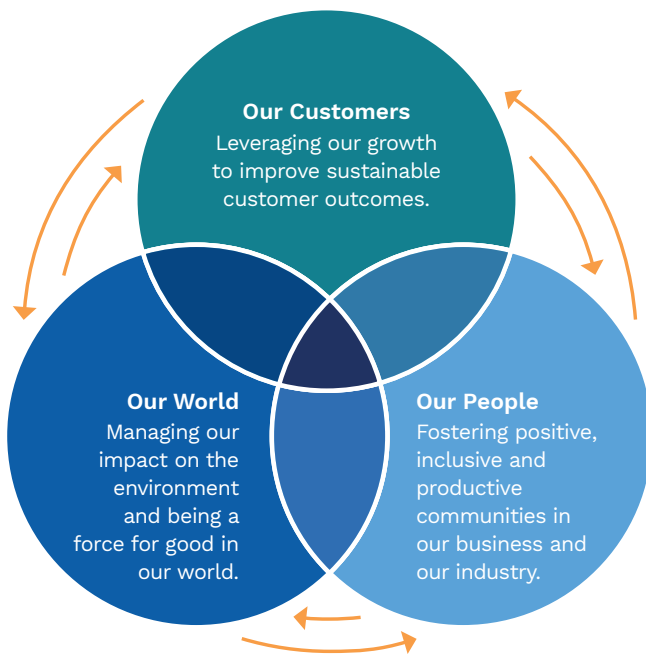
### Strategic decisions in the year

We introduced a supplier approval process to manage financial, legal and security risks; enabling us to engage and onboard new suppliers in a consistent, efficient, and transparent manner.

## Environmental, social and governance

# Scaling up responsibly

As we continue to grow and globalise, we remain committed to our ESG strategy of “scaling up responsibly”. Built across the following three interwoven pillars, our strategy is underpinned by good culture and brilliant governance as the existing foundations for our success.



### Underpinned by our drivers

Brilliant culture

Great governance

### ESG Champions Network

In 2022, we introduced a Group-wide ESG Champions Network (the “Network”), designed to support the implementation of the Group’s ESG strategy. The vision for the Network is: to represent all business functions and geographies passionate about ESG; to seek out and activate opportunities for accelerating positive impact for our people, our customers and our world; and to champion ESG initiatives across the Group.

### People and culture

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

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

### Attracting, retaining and developing our talent

We implement Group-wide strategies designed to attract, retain and develop our people that reflect the local geographic and industry economic climate. These strategies include competitive terms and conditions, a defined contribution pension scheme, consideration of family and personal needs, training and career development coaching, and a wide range of other flexible benefits designed to reflect the Group’s culture and values. Our performance-related pay structures include an Annual Bonus Scheme, which is linked to personal objectives and wider team and Group objectives. The Annual Bonus Scheme is complemented by our employee share scheme, which is designed to align employee incentives with shareholder interests through the award of shares.

Our hiring model is based on creating agile, highly motivated and collaborative international teams. Our strength comes from collaboration between seasoned professionals with deep client industry experience and some of the brightest technology talent on the market. We also “hire for attitude”, placing great importance on our values, effective team working and customer success.

We operate our own bespoke leadership development programme, which is designed to equip our people leaders with the fundamental tools, techniques and resources to coach and mentor their teams to deliver a winning performance. Alongside this we support personal and professional growth, encouraging our people to develop their technical competency as well as interpersonal skills and those related to our values-based behaviours. We encourage our people to spend 5% of their time on professional development.

### Engaging with our people

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



## Our core values



### We Embrace Difference

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



### We Create Together

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



### We Champion Success

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

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

### Early careers programme

Our early career entry programme is one of the ways that we attract promising new colleagues to the business. Our graduate and apprenticeship paths within our professional services, development and IT teams have been running successfully for several years.

### Equality, diversity and inclusion

Gresham is an equal opportunity employer. We celebrate diversity and are committed to creating an inclusive environment for all employees. We are committed to ensuring that our workplaces are free from unlawful or unfair discrimination in accordance with applicable legislation and our values. We are determined to ensure that no applicant or employee receives less favourable treatment on the grounds of gender, age, disability, religion, belief, sexual orientation, marital status, or race, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. We publish a statement on equality, diversity and inclusion which can be found at [www.greshamtech.com/edi](http://www.greshamtech.com/edi).

### Gender analysis

	2022 Female	2021 Female	2022 Male	2021 Male	2022 Total	2021 Total
Executive Directors	—	—	2	2	2	2
Senior managers	2	2	6	6	8	8
Staff	51	42	155	156	206	198
Total	53	44	163	164	216	208
Non-Executive Directors	2	2	2	2	4	4

### Community

As a company that uses the power of technology to improve the way organisations operate, we are committed to supporting, developing and helping to educate the future workforce about this sector. We are proud to be Business Class members of and advisers to The Prince's Responsible Business Network, through our partnership with Business in the Community ("BITC"). BITC's vision is to make the UK the world leader at responsible business, through inspiring, engaging and challenging businesses to tackle some of global society's biggest issues.

### Charity

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

### Ethical business practices

We are committed to corporate sustainability and to a principled approach of doing business. We recognise that we have a duty to manage our business affairs and operations in a sustainable and responsible manner, and we expect the highest standards of ethical conduct from our people and the organisations we work with. We have a zero-tolerance approach to unethical activities such as corruption and bribery, as well as on issues affecting fundamental human rights. Our annual statement on modern slavery can be found at [www.greshamtech.com/modern-slavery](http://www.greshamtech.com/modern-slavery).

# Environment, social and governance continued

## Environment

### Policy statement

Gresham is committed to corporate sustainability and to a principled approach of doing business. We recognise that we have a duty to manage our business affairs and operations in a sustainable and responsible manner. This includes minimising the impact of our activities on the environment and supporting environmental initiatives relevant to our industry. Our environmental policy sets out our responsibilities and actions that support our environmental strategy.

We strongly believe that urgent action is needed to combat climate change and we support the Task Force on Climate-related Financial Disclosures ("TCFD") and the wider movement on climate change. Our TCFD statement is available in this report, starting on page 27 to 29.

### Carbon emissions

Gresham's mandatory reporting of greenhouse gas emissions is pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "Regulations"). Gresham's greenhouse gas reporting year is the year ended 31 December 2022, to align with our fiscal year and financial reporting year.

Gresham reports emissions data using an operational control approach to define organisational boundary, which meets the definitional requirements of the Regulations in respect of those emissions for which it is responsible. Gresham has reported on all material emission sources which it deems itself to be responsible for. These sources align with Gresham's operational control and financial control boundaries. Gresham does not have responsibility for any emission sources that are beyond the boundary of Gresham's operational control.

The methodology used to calculate Gresham's emissions is based on the "Environmental Reporting Guidelines, including mandatory greenhouse gas emissions reporting guidance" (June 2013) and "The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018" issued by the Department for Environment, Food and Rural Affairs ("Defra"). Gresham has also utilised Defra's 2016 conversion factors within the reporting methodology.

Our UK and Group global greenhouse gas emissions disclosure for the year ended 31 December 2022 is made below.

Metric	Unit	UK			Group			Global % YoY change
		2020	2021	2022	2020	2021	2022	
Absolute Scope 1 & 2 emissions	tCO <sub>2</sub> e	24	19	17	37	40	39	20-21: 8% 21-22: -3%
Absolute Scope 3 emissions	tCO <sub>2</sub> e	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Emissions intensity	tCO <sub>2</sub> e per £1,000,000 revenue	2.3	1.8	1.4	1.5	1.1	0.8	20-21: -27% 21-22: -27%
Energy consumption	kWh	104,000	88,000	90,000	158,000	186,000	200,000	20-21: 18% 21-22: 7%

Emissions data has been reported for Gresham's operations in the UK, USA, Luxembourg and Australia. Locations in Malaysia and Singapore are not considered material to the scope of this reporting.

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

## Task Force on Climate-related Financial Disclosures

We recognise that changes to the climate present extensive risks and opportunities and that the TCFD recommendations represent a valuable and effective method of bringing about the systemic and permanent changes to business processes, practices and operations that are needed to accelerate the pace of change and protect our world.

During 2021 and 2022, we have worked to integrate the recommendations of the TCFD into our business in order to better understand and address the potential impacts on our business. Consideration of climate change and the TCFD formed part of the wider review of our environmental, social and governance (“ESG”) responsibilities undertaken in 2021, and in setting the direction of our new three-pillar ESG approach. Climate and climate-related risk are key considerations under the “Our World” pillar of the strategy.

In reporting our progress last year on integrating the TCFD recommendations into our business, we also outlined our climate change programme roadmap including further integration of the TCFD recommendations over a 2-3 year timeline. Over the course of the last six months, we have further identified and assessed the impact of climate-related risks and opportunities on our business. In this disclosure, we report the findings from this exercise in the Strategy section. We have also progressed other areas, including the further consideration of climate-related risks and opportunities in our governance structures and processes, and the implementation of a new risk management framework.

### TCFD compliance statement

The Company’s TCFD compliance statement for the year ended 31 December 2022 is set out in the following table.

Recommendation	Disclosure	Compliance	Summary of progress
<b>Governance</b> The organisation’s governance around climate-related risks and opportunities.	a) Board’s oversight of climate-related risks and opportunities.		<ul style="list-style-type: none"> <li>The Board has overall responsibility for risk management and internal control (including climate-related). The Board formally reviews climate-related matters on a six-monthly basis; with climate-related risk updates included within monthly Board packs.</li> </ul>
	b) Management’s role in assessing and managing climate-related risks and opportunities.		<ul style="list-style-type: none"> <li>Chief Executive, Ian Manocha, has ultimate responsibility for oversight and monitoring of climate-related risks and opportunities and integrating these considerations into the Company’s strategic response and decision-making (see page 38 for further information).</li> <li>The Chief Corporate &amp; Legal Officer has operational responsibility for assessing and managing climate-related risks, with the support of management.</li> <li>The Risk Review Board, made up of departmental management and a Non-Executive Director, carries out quarterly reviews of Group-level risks (including climate-related).</li> <li>During 2023, we plan to further integrate climate-related considerations into Committee work, and continue to educate the Board and management on climate-related issues.</li> </ul>
<b>Strategy</b> Actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning where such information is material.	a) Climate-related risks and opportunities.		<ul style="list-style-type: none"> <li>Climate-related risks and opportunities have the potential to affect our business over the short (0-3 years), medium (3-10 years) and long-term (10+ years).</li> </ul>
	b) Impact on the organisation’s businesses, strategy, and financial planning.		<ul style="list-style-type: none"> <li>We conducted a Group-wide climate risk and opportunity evaluation in 2022 (see risk heat map and table below).</li> <li>During 2023, we plan to conduct scenario analysis to develop a more comprehensive understanding and impact of material climate-related risks and opportunities.</li> </ul>
	c) Resilience of the organisation’s strategy.		<ul style="list-style-type: none"> <li>We will also conduct a further review of our corporate strategy and business model against climate-related risks and opportunities.</li> </ul>

### Key

- Fully compliant
- Partially compliant
- Not compliant

# Environment, social and governance continued

## TCFD compliance statement continued

Recommendation	Disclosure	Compliance	Summary of progress
<b>Risk management</b> How the organisation identifies, assesses, and manages climate-related risks.	a) Risk identification and assessment process.		<ul style="list-style-type: none"> <li>■ We have implemented a new risk management framework and completed a dedicated climate risk and opportunity assessment, which enabled us to extend time horizons beyond those we would typically consider. Further information on our new risk management framework can be found on page 38.</li> <li>■ We engaged external advisers to help us identify climate-related risks and opportunities using various inputs and sources.</li> <li>■ For each risk identified, a qualitative assessment was carried out to determine how it could potentially impact the business over different time horizons, including key assets exposed, before aligning possible impacts with appropriate financial factors. Likelihood and impact ratings, aligned to our existing risk management framework, were then assigned to each risk.</li> <li>■ Where climate-related risks have a risk rating outside of our tolerance, these risks are further considered as potential principal risks in the context of our business. Impact is determined based on potential impact on revenue, share price, reputation, business continuity, and other relevant factors.</li> <li>■ During 2023, we plan to conduct scenario analysis to further understand the potential implications of material climate-related risks, and build out medium and long-term plans to manage key climate-related risks and opportunities.</li> </ul>
	b) Risk management process.		
	c) Integration into overall risk management.		
<b>Metrics and targets</b> The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process.		<ul style="list-style-type: none"> <li>■ We are in the process of developing our climate-related metrics as we understand more about our climate-related risks and opportunities.</li> <li>■ Our metrics and targets (including Scope 1 and 2) are disclosed in the table below.</li> <li>■ During 2023 and 2024, we plan to further develop metrics and targets, establish baselines, measure material Scope 3 GHG emissions including purchased goods and services, and set targets against metrics in our most relevant areas.</li> </ul>
	b) Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas ("GHG") emissions, and the related risks.		
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.		

## Climate-related risks and impact

Based on our assessment to date, we have identified several potential climate-related risks, the key ones of which are outlined in the following table.

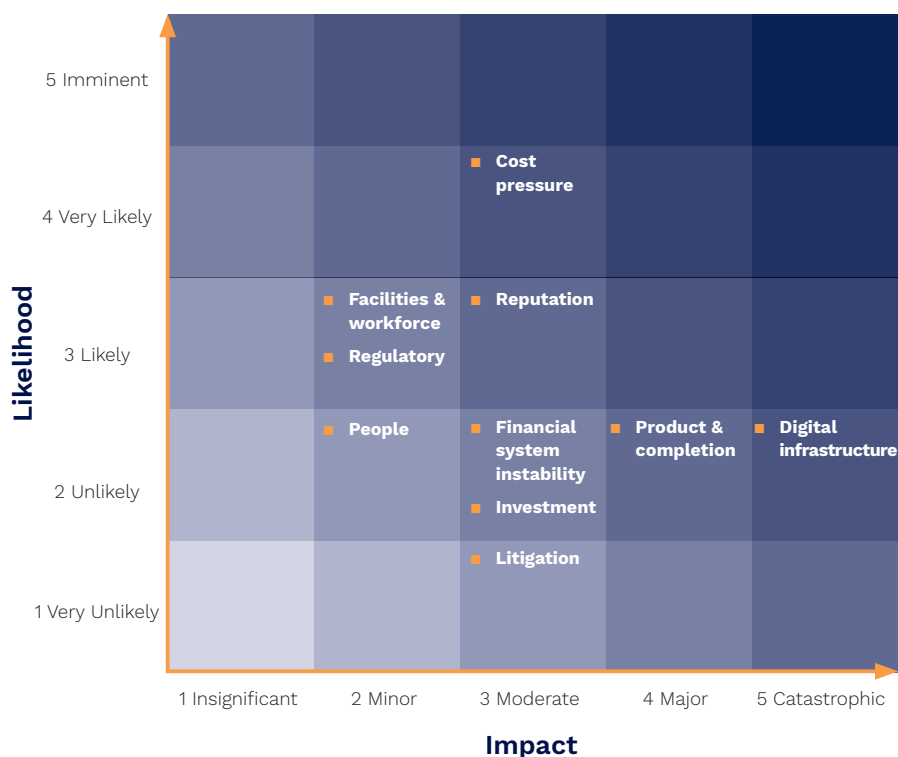
Risk	Risk description	Potential financial impacts	Time horizon	Our response/mitigating actions
<b>Physical risks</b>				
Digital infrastructure	Floods, storms, and extreme heat is testing the resilience of vital infrastructure including data centres and cloud stability which we rely on to deliver our core services.	<ul style="list-style-type: none"> <li>Any outages caused by damage to digital infrastructure could affect the delivery of our services, directly affecting client relationships with a negative impact on revenue and trust in Gresham's platform and products.</li> <li>The business could face increasing operating costs as data centre providers are forced to invest more in adaptation and resilience measures.</li> </ul>	Medium-long	<ul style="list-style-type: none"> <li>We were not impacted by any data centre outages in the year that were due to climate-related incidents, as far as we are aware.</li> <li>To date, we have not been notified of any current or future cost increases linked to climate-related adaptation and resilience, although we will keep this under review.</li> </ul>
Facilities & workforce	Heatwaves, flooding, storms and drought have the potential to damage our facilities, local infrastructure and affect the physical safety, security, productivity and availability of employees.	<ul style="list-style-type: none"> <li>Lost revenue through impacts on business continuity.</li> <li>Increased costs through reduced workforce productivity and absenteeism.</li> <li>Damage to buildings and equipment could result in a financial impact through uninsured losses and increased insurance premiums.</li> </ul>	Short-medium	<ul style="list-style-type: none"> <li>Our new hybrid working policy, and tech offering, enables our people to operate effectively from any location.</li> <li>Our BCP provides guidance and structure in the event that our facilities and/or workforce are affected by climate-related incidents.</li> <li>We occupy leased offices, meaning that landlords take buildings risks. Should costs increase materially, we would review our real estate footprint.</li> <li>We maintain contents insurance but should this not be available we would consider self-insuring.</li> </ul>
<b>Transition risks</b>				
Cost pressures	Climate-related operational cost pressures due to supplier energy price rises and increased costs of cloud computing.	<ul style="list-style-type: none"> <li>If increased operating costs could not be passed onto customers this would affect margins and profitability with the potential to affect inward investment through our perceived attractiveness to investors.</li> <li>Possible cost implications to our services could impact customer relationships and ultimately revenue if customers decide to "shop around".</li> </ul>	Short-medium	<ul style="list-style-type: none"> <li>Regularly review suppliers to ensure there is positive tackling of climate-related issues, as well as the best value for money.</li> </ul>
Reputation	We may face reputational risks if we are unable to fully understand, reduce or evidence our total carbon footprint in line with increasing stakeholder and societal expectations, or through our association with customers, suppliers and third parties for similar.	<ul style="list-style-type: none"> <li>Reductions in revenue as a result of the impact of reputational damage on customer attraction and retention.</li> <li>Increased expenditure on climate mitigation and adaptation including for example; external support, switching to more sustainable data service partners.</li> </ul>	Medium	<ul style="list-style-type: none"> <li>Board reviews of ESG and climate change issues on a six-monthly basis ensure these matters are regularly reviewed and considered in strategic decision-making.</li> <li>Our company secretariat has been expanded to provide additional compliance oversight.</li> </ul>

# Environment, social and governance continued

Risk	Risk description	Potential financial impacts	Time horizon	Our response/mitigating actions
<b>Transition risks continued</b>				
Product & competition	If the business and its solutions are not successful in supporting our customers to achieve their climate change goals, there is a risk that they will look elsewhere, or that new operators will enter and disrupt the market.	<ul style="list-style-type: none"> <li>■ Reduced revenues through customer churn.</li> <li>■ Increased expenditure on sustainability-related R&amp;D.</li> </ul>	Medium-long	<ul style="list-style-type: none"> <li>■ We are not currently seeing any product requests related to climate change.</li> <li>■ We respond to client procurement/sourcing requests related to climate change quickly.</li> <li>■ Our climate change programme is designed to support our customer requirements.</li> </ul>
Regulatory	We face an increasingly uncertain regulatory environment as a result of climate change that has the potential to change rapidly.	<ul style="list-style-type: none"> <li>■ Increased expenditure on internal and external resources to comply with climate-related regulation.</li> <li>■ Costs from any fines or penalties as a result of non-compliance.</li> </ul>	Short-medium	<ul style="list-style-type: none"> <li>■ We made investments in 2021 and 2022 to ensure compliance with TCFD and ESG requirements.</li> <li>■ Continuing Director CPD on climate-change and ESG matters.</li> <li>■ Climate change features on the Board agenda every six months.</li> </ul>
Investment	As investors increasingly integrate climate-related issues into their investment decisions, our approach could make our business less attractive to investors.	<ul style="list-style-type: none"> <li>■ Reduced external investment as a result of negative impacts on our attractiveness to investors.</li> </ul>	Medium-long	<ul style="list-style-type: none"> <li>■ We made investments in 2021 and 2022 to ramp up our climate change programme and broader ESG strategy.</li> <li>■ We respond to investor enquiries on climate change and ESG.</li> </ul>
People	Our response to climate change has the potential to affect talent attraction and retention in an already competitive labour market.	<ul style="list-style-type: none"> <li>■ Increased expenditure on employees, including for example; recruitment costs, productivity losses and higher salaries to attract talent.</li> <li>■ Reduced revenues through impact of resource challenges and talent gaps on customer relationships.</li> </ul>	Medium-long	<ul style="list-style-type: none"> <li>■ Ensure that the Group continues to address climate-related issues in accordance with regulation/legislation.</li> <li>■ Strong engagement with our people on climate-related issues, including via the ESG Champions Network.</li> <li>■ Publicise our climate-related initiatives with all stakeholders and externally.</li> </ul>
<b>Liability risks</b>				
Litigation	Climate change litigation is increasing and could manifest for our business as a result of a perceived failure to consider, mitigate or adapt to the risks associated with climate change.	<ul style="list-style-type: none"> <li>■ Increased legal costs paid to cover the costs of litigation.</li> <li>■ Reduced external investment if investors lose appetite to invest in the business.</li> <li>■ Reduced revenues if brand equity is damaged, affecting customer attraction and retention.</li> </ul>	Long	<ul style="list-style-type: none"> <li>■ Ensuring that climate-related and ESG matters remain a focus for the Board of Directors in strategy setting and business reviews.</li> </ul>
<b>Transboundary risks</b>				
Financial system instability	Financial stability is increasingly under threat from climate change and increased volatility in the market could affect our future ability to raise capital and cost-base.	<ul style="list-style-type: none"> <li>■ Reduction in capital and financing affecting our ability to invest in future growth.</li> <li>■ Reduced revenues if customers reduce or defer IT investments or cease to trade.</li> <li>■ Increased expenditure on data centres due to a higher level of customer transactions being processed by our software.</li> </ul>	Long	<ul style="list-style-type: none"> <li>■ Maintaining the stability of the financial system under close and regular review.</li> <li>■ Ensuring financial system risks are taking into account in major or strategic decisions.</li> <li>■ Our customer base is predominantly made up of blue-chip financial services firms with significant financial resilience.</li> <li>■ Monitoring our customer and supplier base for exposures to financial stability risks.</li> </ul>



## Risk Matrix



## Climate-related opportunities

Based on our assessment to date, we have identified several potential climate-related opportunities, the key ones of which are outlined in the following table.

Opportunity	Opportunity description	Potential financial impacts	Time horizon
Reputation	Demonstrating a thorough understanding of climate-related risks, opportunities and impacts, and integrating this into our strategy could strengthen our reputation with increasingly climate-conscious stakeholders.	<ul style="list-style-type: none"> <li>Increased revenue as a result of company and product differentiation and our ability to attract and retain customers, and support their sustainability ambitions.</li> <li>Increased external investment through an improved ability to attract investment from sustainability-focused funds.</li> <li>Lower recruitment costs due to increased ability to attract and retain talent.</li> </ul>	Medium
New revenue channels	Developing new products or services (or evolving existing ones) that support climate mitigation or adaptation activities, or help facilitate the low carbon transition (for example, the processing of ESG data).	<ul style="list-style-type: none"> <li>Increased revenue through new channels and product diversification.</li> </ul>	Medium-long
Cost efficiencies	Assessing our impacts and investing in new and improved ways of working that are also more climate-friendly could lead to cost savings and increased resilience.	<ul style="list-style-type: none"> <li>Reduced operational costs through, for example, reduced travel, energy efficiency measures, hybrid working/reduced office estate costs.</li> <li>Productivity and efficiency gains.</li> </ul>	Short-medium

# Clareti growth driving operational leverage throughout the Group



**The Clareti standalone business reached an important milestone during 2022, becoming cash adjusted EBITDA positive for the first time. As the Clareti business continues to scale, this will continue to drive Group cash adjusted EBITDA improvements.”**

## Forward-looking annualised recurring revenue (“ARR”)

Our ARR is an aggregated value of all recurring revenues that are either fully or partially contracted for the next twelve months and/or are highly expected to renew in the next twelve months.

Future uplifts in variable usage or contingent recurring fees are not included in ARR, unless they are contractually certain with all deliverables having already been met.

Our ARR from our strategic growth business, Clareti, is a critical KPI for the Group as it provides a forward-looking view of the minimum expected revenues in the next twelve months; which gives confidence to business planning and investment decisions.

The organic Clareti ARR growth in 2022 was £4.1m, an increase of 17% on the opening Clareti ARR position. Included within this organic growth is the impact of the foreign exchange movements in the year, which contributed £1.8m, the prior year benefitting by £0.3m; therefore the constant currency organic ARR growth grew from £2.2m in the prior year to £2.3m in 2022. Whilst still strong double digit constant currency organic growth, this is behind our target rate of 20%+.

Our retention and upsell measures remain strong, with the trailing twelve-month net Clareti ARR retention rate being 102%; a reduction from the 106% rate in the prior year (both on a constant currency basis). We calculate our net ARR retention rate as ARR from the end of the period from customers existing at the start of the period, divided by ARR at the start of the period. There remains a significant market opportunity to both upsell and cross-sell to our continually growing existing customer base that we are strategically investing in capturing. Going forward, we expect to improve these rates to at least 2021 levels.

ARR from our Other businesses have fallen by £0.6m to £3.5m in 2022, largely as a result of our decision to discontinue supporting the last remaining line from our own high-margin legacy solutions. It remains encouraging to see the ongoing longevity of these business lines continuing to provide predictability and further ability to invest with confidence in the Clareti business.

In addition to Group ARR of £31.6m, expected revenues from non-recurring contracts in place as at 31 December 2022 total £10.4m, giving visibility over £42.0m of revenue for 2023 before any new or incremental contracts are won.

			2022	2021	Variance	%
Clareti ARR	Clareti ARR at start of year	£m	24.0	12.3	N/a	
	Acquired with Electra	£m	—	9.2	N/a	
	Organic increase in ARR	£m	4.1	2.5	1.6	64%
	<b>Clareti ARR at end of year</b>	<b>KPI</b>	<b>£m</b>	<b>24.0</b>	<b>4.1</b>	<b>17%</b>
Other ARR	Other ARR	£m	3.5	4.1	(0.6)	(15%)
Group ARR	Group ARR	£m	31.6	28.1	3.5	12%

## Income Statement

### Constant currency Income Statement headlines

Due to the levels of transactions occurring in currencies other than the Group's functional reporting currency of GBP, largely USD and AUD, the Group has benefitted to a material degree from the weakness experienced in the GBP throughout the year. The table below shows 2022 performance if transactions had been reported on the same average exchange rates for the year as 2021 had been.

			2022	2021	Variance on constant currency basis	%
			Actual basis	Constant currency basis		
Group revenue	£m		48.7	46.6	9.6	26%
Group gross margin	£m		33.9	32.4	7.2	29%
Group gross margin %	%		70%	70%	2%	
Group adjusted EBITDA	£m		10.3	10.2	3.0	42%
Group adjusted EBITDA %	%		21%	22%	3%	
Cash adjusted EBITDA	£m		4.4	4.2	1.7	68%
Cash adjusted EBITDA %	%		9%	9%	2%	

### Revenues

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

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

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

			2022	2021	Variance	%
Clareti solutions	Recurring	£m	15.8	13.5	2.3	17%
	Recurring – Electra	£m	11.6	5.3	6.3	119%
	Recurring – Clareti total	KPI	£m	18.8	8.6	46%
	Non-recurring		7.5	6.4	1.1	17%
	Non-recurring – Electra		0.6	0.3	0.3	100%
	Non-recurring – Clareti total		£m	6.7	1.4	21%
	<b>Total Clareti revenues</b>	<b>KPI</b>	<b>£m</b>	<b>25.5</b>	<b>10.0</b>	<b>39%</b>
Other solutions & services	Recurring	£m	4.3	4.6	(0.3)	(7%)
	Non-recurring	£m	8.9	6.9	2.0	29%
	Total	£m	13.2	11.5	1.7	15%
<b>Group</b>	Total	KPI	£m	37.0	11.7	32%

## Financial review continued

### Clareti Solutions

Clareti recurring revenues increased by 46%, up £8.6m on 2021, which included a full year contribution of £11.6m from Electra against a £5.3m contribution in 2021 (since the acquisition late in June 2021). Excluding the impact of Electra, Clareti recurring revenues increased by 17%, or £2.3m since the prior year. These increases were as a result of new recurring revenue sales, increased consumption of Clareti solutions from our existing customers, and currency gains of £1.4m; £1.2m of which coming from predominantly USD-based Electra business.

Clareti non-recurring revenues increased by 21%, up £1.4m on the prior year, with a relatively small services contribution from Electra in both years. Excluding the impact of Electra, the increase was 17%. This increase is being driven by new implementations associated with the increase in Clareti recurring revenues and £0.3m of currency gains.

### Other Solutions & Services

Total revenues from Other solutions and services increased by 15% to £13.2m, exceeding our original expectations. This business line includes revenues from a legacy partner relationship where we act as a reseller of third party software; our sole remaining, own IP, legacy software product (EDT) which we discontinued support for on 31 December 2022; and our contracting services business where we provide fixed margin services at a margin of 13% under twelve-month contractual terms.

Recurring revenues within the Other solutions and services portfolio decreased by 7% to £4.3m as a result of own-IP software customers not renewing contracts and slightly lower end-user consumption fees from existing customers of our reseller arrangement. Non-recurring Other revenues, the vast majority of which is our contracting services business, increased by £2.0m compared to 2021. The mix of revenues within the Other solutions and services portfolio continues to evolve, being increasingly weighted towards lower margin business lines. We continue to manage the portfolio carefully benefitting from good visibility of customer intentions.

### Earnings

			2022	2021	Variance	%
Clareti Solutions	Gross margin	£m	19.9	16.6	3.3	20%
	Gross margin – Electra	£m	10.6	4.9	5.7	116%
	<b>Gross margin – Clareti total</b>	£m	30.5	21.5	9.0	42%
	Gross margin	%	85%	83%	2%	N/a
	Gross margin – Electra	%	87%	88%	(1%)	N/a
	<b>Gross margin – Clareti total</b>	%	86%	84%	2%	N/a
Other solutions & services	Gross margin	£m	3.5	3.7	(0.2)	(5%)
	Gross margin	%	27%	37%	(5%)	N/a
<b>Group</b>	Gross margin	£m	34.0	25.2	8.8	35%
	Gross margin	%	70%	68%	2%	N/a
	<b>Adjusted EBITDA</b>	<b>KPI</b>	<b>£m</b>	7.2	3.1	43%
	<b>Adjusted EBITDA</b>	<b>KPI</b>	<b>%</b>	19%	2%	N/a
	<b>Cash Adjusted EBITDA</b>	<b>KPI</b>	<b>£m</b>	2.5	1.9	76%
	<b>Cash Adjusted EBITDA</b>	<b>KPI</b>	<b>%</b>	7%	2%	N/a
	Statutory profit/(loss) after tax	£m	2.9	(1.0)	3.9	N/a
	<b>Adjusted diluted EPS</b>	<b>KPI</b>	<b>pence</b>	5.02	2.52	46%

### Gross margin

Across all business segments, the majority of our cost of sales is made up of: (i) customer-specific third party costs incurred in providing our hosted cloud solutions; (ii) third party contractor costs incurred by our contracting services business; and (iii) fixed-term payrolled employees that provide fixed margin contracting/recruitment services to ANZ.

In line with long-standing Group strategy, the growth in the high margin Clareti business has offset the continued and expected decline in gross margin being generated from the legacy Other solutions and services businesses. At a Group level, gross margins have increased from 68% to 70%. These percentage margins are not changed to any material degree when considered on a constant currency basis.

The gross margin within Clareti business (including Electra) has increased from 84% to 86%, due to the increased growth of the high margin recurring revenues.

As planned and described in the revenue section above, the Other solutions and services business mix has continued to move in balance towards the lower margin software reselling and contracting services business lines from our higher margin legacy owned IP (EDT), which we discontinued support of on 31 December 2022.

## Adjusted EBITDA

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

Group adjusted EBITDA has improved by £3.1m, or 43%, since the prior year with margin improving by 2% to 21% in 2022. This is as a result of the existing higher margin Clareti business continuing to grow and beginning to drive improved operational leverage as it scales along with the impact of the Electra acquisition, which offset the continued reducing margin of the Other solutions and services business lines. Whilst we will ensure that we maximise the current market opportunity through appropriate strategic investments, we do expect to continue to see improvements to these margins in future years.

## Cash Adjusted EBITDA

Cash adjusted EBITDA refers to adjusted EBITDA reduced by the value of capitalised development spend and any IFRS 16 lease-related cash expenses classified as depreciation and interest. We consider this a good measure of cash profitability for a modern SaaS business who continue to invest in product development to ensure they remain market leading.

Group cash adjusted EBITDA has also improved on the prior year, with £1.9m of the £3.1m improvement in adjusted EBITDA (mentioned above) dropping through to improvement cash EBITDA. The £1.2m difference between the improvements in the two EBITDA measures is as a result of a full year of capitalised development spend and IFRS 16 lease-related cash expenses in the acquired Electra business. This has resulted in a cash adjusted EBITDA margin of 9%, an improvement of 2% on the prior year. Like adjusted EBITDA, we expect to see continued improvements in these margins in future years.

The Clareti standalone business reached an important milestone during 2022, becoming cash adjusted EBITDA positive for the first time, generating a margin of 3%. As the Clareti business continues to scale this will continue to drive Group cash adjusted EBITDA improvements.

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

There has been an increase in statutory profit after tax to a profit of £2.9m from a loss of £1.0m in the prior year. This increase of £3.9m is due to the combination of: improved adjusted operating profit of £2.9m as a result of the growth and improved profitability of the Group; offset by: reduced exceptional expenses of £1.3m (see below); increased share-based payment charges of £0.6m; increased amortisation on acquired intangibles largely due to a full year of amortisation of the intangibles acquired through the Electra acquisition in June 2021 of £0.6m; and a reduced tax charge of £1.0m.

Adjusted diluted EPS has improved by 50% to 7.5 pence per share. Adjusted earnings used in this calculation adjust the statutory result after tax for: exceptional items; amortisation of acquired intangibles, share-based payments and the deferred tax charge in relation to the sale of the IP acquired with Electra from the US to the UK business (see taxation below).

## Exceptional items

During the year, the Group recognised exceptional costs of £0.2m, all of which were one-off costs in relation to the integration of the Electra business. In 2021, £1.8m of exceptional costs were recognised, of which: (i) £1.3m were acquisition costs in relation to the acquisition of Electra on 22 June 2021; and (ii) £0.5m related to various integration expenses in relation to the same acquisition. Offsetting the exceptional costs in 2021 was exceptional income of £0.3m, which occurred from currency hedging activities taking place to fund the USD denominated Electra acquisition. There was no such exceptional income in 2022.

## Taxation

For the year ended 31 December 2022, the Group has recorded a net tax charge of £0.4m (2021: £1.4m). The material drivers for the variance from the prior year being: an increase in overseas current tax charges of £0.5m as a result of the increased profits from our US and Australian operations as those businesses continue to grow, with US taxes also increasing as a result of the Electra acquisition; and the prior year including a one-off deferred US tax charge of £1.4m as a result of the Group's long-term global tax planning, part of which included the sale of the IP acquired in the Electra acquisition from our US business to our UK business to ensure the UK remains the centralised IP generating entrepreneur within the Group.

## Cashflow

The Group's financial position remained very strong throughout 2022. At a headline level, the cash balance at the year-end of £6.3m was behind that of the prior year-end of £9.1m. Whilst the total deferred consideration payments from acquisitions made during the year of £4.4m explains much of this; there are also a number of other movements beneath the headline balances which are described below.

Operating cashflow, excluding working capital and exceptional items, has increased by £3.1m to £10.3m in the year as a result of the improved cash EBITDA of the Group; including the Clareti business becoming cash EBITDA generative for the first time.

Operating cash outflow from exceptional items has reduced by £1.3m to £0.2m. The prior year included increases that were one-off in nature, with the significant majority being advisory and integration fees in respect of the Electra acquisition; the outflow during 2022 being the finalisation of the Electra integration.

The movement in working capital has reduced by £2.1m to negative £0.8m. There are a number of one-off items causing this swing, including a £0.5m payment of US sales tax in relation to the acquired Electra business which had originally been held back from the acquisition fees paid, and £1.0m of customer payments made early in December 2021 with early payment not occurring in 2022.

## Financial review continued

The Group received net tax of £0.6m in 2022, whereas during 2021 a net payment of £1.1m was made. Gross tax payments were made in the year of £1.9m (2021: £1.1m), the increase on the prior year largely as a result of increased profitability in Australia and the US; the latter also benefitting from a full year of the Electra business. During 2022 the Group also received gross tax receipts of £2.5m as a result of research and development activities performed during 2020 and 2021, where enhanced relief was available. No such reclaim was received in 2021, with the 2020 claim which was made during 2021, not being received from HMRC until January 2022.

The capitalised development expenditure of £5.2m has increased by £1.0m from the prior year, the increase coming from a full year of such expenditure from the acquired Electra business, as well as movements in foreign exchange rates and inflationary increases.

During 2022 the Group spent £0.8m on other capital spend, an increase of £0.7m. £0.6m of this increase was one-off in nature, in relation to the complete refurbishment of our New York office which re-opened in the third quarter.

During the year the Group paid £0.4m of contingent consideration in relation to the July 2020 Inforalgo acquisition, in the prior year the initial consideration of £0.9m was paid. The Inforalgo contingent consideration payments are now complete and were paid in full as the target metrics agreed with the sellers were fully met.

The Group paid £19.6m (net of cash acquired) of initial consideration to acquire Electra in June 2021, which was funded through a £20.2m (net of costs) capital raise. During the third quarter of 2022, upon meeting the success criteria measured on the first anniversary of the acquisition, the first contingent consideration payment was made in full of £4.0m.

The Group received £0.1m upon the exercise of share options during the year (2021: £0.1m).

Included within "Other" is the recording of negative effect of foreign exchange rate changes of £1.1m, arising upon the revaluation of Group's the non-GBP entity opening balance sheets upon consolidation, the equivalent in the prior year was a positive £0.2m.

As has been the strategy of the Group for a number of years, with increasing Clareti sales (now including Electra) from the growing annuity base and new customer wins, coupled with carefully selected and controlled investments, we expect the cash-generation capacity of the business to continue and are looking at opportunities to best utilise excess cash generated. In order to maximise our returns, we plan to increase levels of investment in distribution and customer success, whilst continuing to invest excess cash efficiently in bank deposits and giving appropriate consideration to M&A opportunities.

		2022	2021	Variance	%
Opening cash and cash equivalents at 1 January	£m	9.1	8.9	0.2	2%
Operating cashflow excluding exceptional items	£m	10.3	7.2	3.1	43%
Operating cashflow from exceptional items	£m	(0.2)	(1.5)	1.3	87%
<b>Total operating cashflow excluding working capital</b>	£m	<b>10.1</b>	5.7	4.4	77%
Movement in working capital	£m	(0.8)	1.3	(2.1)	(162%)
Cash inflow from operations	£m	9.3	7.0	2.3	33%
Net tax (payments)/receipts	£m	0.6	(1.1)	1.7	155%
Capital expenditure — development costs	£m	(5.2)	(4.2)	(1.0)	(24%)
Capital expenditure — other	£m	(0.8)	(0.1)	(0.7)	(700%)
Principal paid on lease liabilities	£m	(0.6)	(0.6)	—	—
Inforalgo acquisition (net of cash acquired)	£m	(0.4)	(0.9)	0.5	56%
Electra acquisition	£m	(4.0)	(19.6)	15.6	80%
Shares issued – Electra acquisition (net of costs)	£m	—	20.2	(20.2)	(100%)
Shares issued — upon option exercises	£m	0.1	0.1	—	—
Dividend	£m	(0.6)	(0.5)	(0.1)	(20%)
Other	£m	(1.2)	(0.1)	(1.1)	(1,100%)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>£m</b>	<b>(2.8)</b>	0.2	(3.0)	N/a
<b>Closing cash and cash equivalents at 31 December</b>	<b>KPI £m</b>	<b>6.3</b>	9.1	(2.8)	(31%)

## Consolidated statement of financial position

Property, plant and equipment and right-of use assets have increased to £0.9m and £1.6m, from £0.2m and £1.5m respectively, largely as a result of the extension of our Sydney office lease and New York office refurbishment. Our lease liabilities have also increased by equivalent amounts due to this lease extension.

Intangible fixed assets remain the largest item on the balance sheet at £62.8m (2021: £62.3m), consisting of software development assets of £23.6m; separately identified assets acquired with previous acquisitions of £19.5m and goodwill of £19.7m.

Trade receivables increased from £3.8m to £4.8m and accrued income (a contract asset) have increased from £1.2m to £1.8m. Trade receivables have increased due to a combination of increased revenues and the prior year's cash balance benefitting from early receipts from a customer that did not reoccur in December 2022. Accrued income has also increased due to the increased revenues in 2022 as well as timing differences in December invoicing.

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

Deferred tax liabilities have decreased by £0.7m to £6.1m as a result of further research and development spend qualifying for enhanced tax relief increasing the liability by £1.1m offset by a reduction of £0.5m from the unwinding of timing difference arising on acquired intangibles, a £0.4m increase in tax losses available and a £0.5m increase in deferred tax on share options.

Non-current contingent consideration has reduced from £3.6m to nil and current contingent consideration has increased by £3.9m to £4.0m. The prior year current contingent consideration was in relation to the final contingent consideration payment due on the 2020 Inforalgo of £0.4m and the first contingent consideration payment of US\$4.8m due on the 2021 Electra acquisition – both were paid in full during 2022. The remaining contingent consideration payment, now classed as current, is in relation to the final amount of US\$4.8m due on the Electra acquisition, which is also expected to be paid in full during 2023.

Trade payables increased from £1.1m to £1.5m, which is largely aligned with the increased size of the business. Accruals increased to £4.3m (2021: £3.9m) with the increase largely being in relation to an increased bonus provision due to both a strong performance against set targets and reflecting a full years bonus at full rates for the former Electra employees. Contract liabilities have decreased from £12.0m to £11.1m largely due to the timing of and size of prepayments made in the non-Clareti business.

## Financial outlook

Management are very pleased with the overall financial progress of the Group during 2022, delivering two upgrades to Group numbers. We are delivering growth which in turn is driving improved profitability, aided by synergies gained through the Electra acquisition.

The constant currency organic growth in Clareti ARR was 10% for 2022, a respectable results but below our stated target of 20%+. Similarly, both net retention and new business generation growth rates were lower in 2021, although the Group expects to return to target levels in 2023 and future years.

Whilst the strategic decision was taken to discontinue support for the Group's one remaining own-IP software product (EDT), the other (non-Clareti) software portfolio as a whole has continued to surpass expectations, although without the own-IP software revenues the general trend is towards lower margin products and services will continue. We expect our contracting services business to remain relatively stable in 2023.

As has been the strategy for many years, we are successfully continuing to increase the levels of revenue predictability throughout the Group. In addition to the significantly increased Clareti recurring revenue base, we have high levels of contracted backlog of Clareti services for ongoing implementations and innovation services, and a high portion of the non-Clareti portfolio is already under contract for 2023. Nevertheless, given the uncertain macro-economic environment, we intend to invest prudently in 2023, prioritising distribution, product and customer success, to ensure we are best placed to take advantage of the significant market opportunities.

### Tom Mullan

CHIEF FINANCIAL OFFICER

13 March 2023



## Principal risks and uncertainties

# Effective risk management systems

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

There are a number of risk factors that could adversely affect the Group's execution of its strategic plan and, more generally, the Group's operations, business model, financial results, future performance, solvency, or the value or liquidity of its equities.

The Board is committed to addressing these risks by implementing systems for effective risk management and internal control. A report on the Board's review of the effectiveness of the Group's risk management and internal control systems can be found in the Audit Committee Report, starting on page 50.

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

### Risk management framework

During 2022, the Group introduced a new risk management framework. This new framework includes the establishment of a new Risk Review Board made up of senior management and an independent Non-Executive Director. The purpose of the Risk Review Board will be to formally oversee Group-level risks, major operational risks, cyber security risks, climate-related risks and any other material emerging risks, and to monitor the effectiveness of the Company's risk management systems generally, reporting to the Board of Directors. The Audit Committee remains responsible for financial control risks.

Identified risks are reported in the specified form (including, where applicable, details of existing risk controls and mitigation plan) and then reviewed by senior management. Depending on the classification and severity of risk, details are reported to the Risk Review Board, Audit Committee and/or the Board of Directors at the relevant time. On an ongoing basis, the Company Secretarial team is responsible for the Group risk register and supports risk management processes across the Group's various departments with reviews of current risks and identification of new risks.

The following diagram sets out the risk framework and reporting lines.



## Principal risks and uncertainties

### Failure to win new Clareti business in line with plan

#### Links to strategy

1 2 3

#### Description

Winning new Clareti business is central to our growth plan as it supports ARR and professional services backlog. Failure to do so would directly impact our strategic objectives. In particular, failure to win new Clareti contracts early enough in the year would impact annual growth and potentially jeopardise our ability to deliver the implementations and recognise the associated revenues in the year.

#### Commentary

Market conditions continue to be challenging, with macro headwinds potentially affecting customer confidence which could materially impact sales. Furthermore, sales cycles remain long and unpredictable, often necessitating significant investments of time or expenditure to satisfy customer due diligence requirements. These factors collectively present unquantifiable risks to growth aspirations and business plan.

### Misdirected product, operational or strategic investments

#### Links to strategy

2 4 5

#### Description

Our model is to invest in product development and other areas to support Clareti-led organic growth. Strategic investments such as acquisitions present opportunity for accelerated growth. Failing to achieve meaningful returns on investments would hinder the Group's strategic growth plan and potentially jeopardise the Group's position in the market and its prospects.

#### Commentary

Our ongoing investments in product innovation are an essential part of our strategy. In 2022, we continued our significant investments in delivering production-ready market-differentiating features to enable us to target the large market currently dominated by legacy reconciliation providers. We also continued to invest in our strategic cash management solution with ANZ, which we believe has strong growth prospects over the medium to long-term.

### Key customer risks and failure to minimise churn rates

#### Links to strategy

1 2 3

#### Description

A significant portion of our revenue is generated from a small number of key customer accounts. A cancellation of any one of these could have a material impact on Group revenues and, depending on the circumstances, potentially affect the Group's position in the market and its prospects. Furthermore, high churn rates in general would adversely affect the Group's growth.

#### Commentary

We have not suffered any key account losses in the year and continually monitor for cancellation risks. We maintain very strong relationships at all levels in our key accounts to ensure we have early warning of any issues. Outside of the key accounts, we have a long tail of medium and lower value accounts with less frequent touchpoints and, consequently, greater churn risks. We are strengthening our renewal management processes to mitigate this.

### Product and service delivery failures

#### Links to strategy

1 2 3 4

#### Description

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

#### Commentary

Overall, our solutions and services were resilient and stable throughout the year. There were no fundamental outages or service failures in 2022, although certain projects or situations have necessitated ongoing investments to ensure successful project outcomes and customer satisfaction. Our systems, processes and methodologies are designed to mitigate product and service delivery failures, but this is not always avoidable.

### Accelerated decline in non-Clareti revenues

#### Links to strategy

4 5

#### Description

Non-Clareti revenues provide a strong contribution to revenues, earnings and cashflow and are key to short-term financial success and ongoing investments in Clareti. Whilst the Group expects these contributions to decline over time, an unexpected or accelerated decline could have an immediate and significant impact on financial KPIs due to short-term planning assumptions.

#### Commentary

Risks in the non-Clareti portfolio have remained stable this year and we broadly expect this to remain the case in 2023. We regularly review individual portfolio risks and will consider strategic options such as discontinuations or disposals in mitigation where risk reaches unacceptable levels. In 2022, we made the decision to discontinue the EDT portfolio which eliminates the support risk of this product.

### People risks

#### Links to strategy

1 2 3 4 5

#### Description

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

#### Commentary

People risks are generally increasing, as market conditions, and in particular the current cost-of-living crisis, drive staff turnover and significant salary inflation. These risks are expected to continue in 2023, although we are pleased that our annual survey results confirm our staff remain highly engaged.

## Principal risks and uncertainties continued

### Economic, international trade and market conditions

#### Links to strategy

1 2 5

#### Description

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

#### Commentary

Trading conditions have been, and continue to be, impacted by macro challenges, including Russia's invasion of Ukraine and the related trading/financial sanctions, FX volatility and, most recently, rising inflation rates and costs. Nevertheless, our business remained resilient throughout 2022 and expect this to remain the case in 2023, although we will continue to manage our business, operations and investments prudently in light of these uncertainties.

### IP, data and cyber risks

#### Links to strategy

2 3

#### Description

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

#### Commentary

Like all businesses, Gresham is exposed to an increasing

range of cyber-attacks. We have introduced several new security tools and processes to mitigate the increasing risks. In addition, we secured ISO 27001 certification for one of our hosted solutions, with scope expansion to follow in 2023. We are making further investments to consolidate our investments and introduce further risk reducing measures.

### Governance, regulatory and compliance risks

#### Links to strategy

2

#### Description

The Group operates in several different jurisdictions and, additionally, is subject to additional governance and disclosure requirements as a listed company. Failing to comply with applicable laws, regulations and rules could lead to public censure, fines, or other governmental or regulatory enforcement, which could result in reputational damage and/or financial loss.

#### Commentary

Governance, regulatory and compliance risks are generally overseen and managed by the Group's internal legal and corporate function, which has been expanded in 2022 to provide additional resourcing. We have introduced new compliance policies during 2022 and also strengthened our risk management processes. We expect this to remain stable in 2023.

#### Links to strategy

1 2

#### Description

Climate-related events could affect the Group's ability to provide services to its customers, or to do so cost-effectively and/or reliably. Investors and customers have increasing expectations with regard to climate matters. Failing to appropriately deal with and plan for these matters could adversely impact the Group's value proposition and its long-term prospects.

#### Commentary

This risk is introduced in 2022 to capture and manage the potential long-term risks that may arise as a result of climate change and climate-related events. We have conducted a detailed examination of climate-related risks (and opportunities) which are set out starting on page 29. Climate risks are reviewed by the Group's Risk Review Board on a quarterly basis.

The Strategic Report was approved by the Board of Directors on 13 March 2023.  
On behalf of the Board.

**Ian Manocha**  
CHIEF EXECUTIVE  
13 March 2023

**Tom Mullan**  
CHIEF FINANCIAL OFFICER  
13 March 2023

# Corporate governance

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## Chair's introduction to governance

# Upholding high standards of corporate governance



**The Board acknowledges its role in setting the culture, values and ethics of the Group, and its collective responsibility in developing a healthy corporate environment and delivering long-term success.”**

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

Specifically, the Board acknowledges its role in leading and overseeing the Group's environmental, social and governance (“ESG”) strategy, which will continue to be refined and implemented over the coming months and years.

The Board's aim is to operate as effectively as possible, in line with the governing principles of the UK Corporate Governance Code 2018 (the “Code”). A description of the Group's application of the Code's principles for 2022 is set out in the Corporate Governance Report. A Board effectiveness evaluation was carried out in the year with constructive input from all directors and productive outcomes; further information can be found on page 47.

Board discussions are conducted openly and transparently, creating an environment for sustainable and robust debate. In the year, the Board has constructively and proactively challenged management on Group strategies, proposals, operating performance, and key decisions, as part of its ongoing work to assess and safeguard the position and prospects of the Group.

Key risks and uncertainties affecting the business are regularly assessed and updated. The Board has completed a full, specific review of the Group's key risks and uncertainties (see page 38) in light of the new and emerging risks or uncertainties arising from the Group's strategic growth plans and the economic, political and market conditions.

The Board continues to engage with shareholders and welcomes ongoing dialogue throughout the year, including at the forthcoming Annual General Meeting.

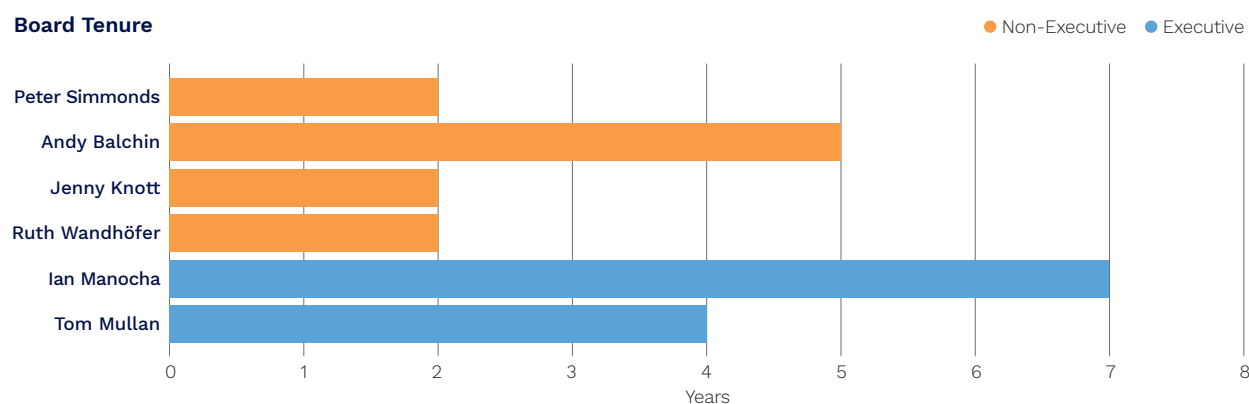
**Peter Simmonds**

NON-EXECUTIVE CHAIR

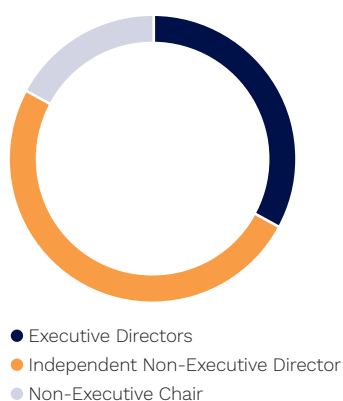
13 March 2023



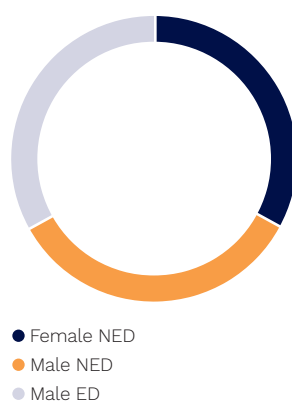
## Board Tenure



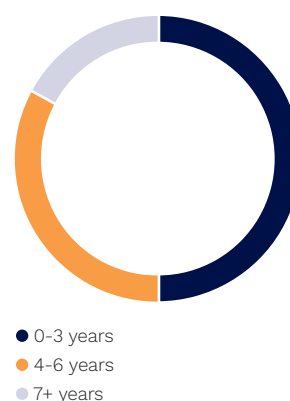
## Board Independence



## Board Gender Mix



## Board Tenure



## Board skills matrix

Skill	Peter Simmonds	Andy Balchin	Jenny Knott	Ruth Wandhöfer	Ian Manocha	Tom Mullan
International growth strategy and execution	●●●	●●●	●●●	●●○	●●●	●●●
Enterprise software sales and marketing	●●○	●●○	●●○	●●○	●●●	●●○
Implementation and service delivery	●●○	●●○	●●○	●●○	●●○	●●○
Software product development	●●○	●●○	●●○	●●○	●●○	●●○
Financial services industry	●●○	●●○	●●●	●●○	●●○	●●○
Talent management	●●●	●●●	●●●	●●○	●●●	●●●
Financial control and planning	●●●	●●●	●●●	●●○	●●○	●●●
IT and cyber	●●○	●●○	●●○	●●○	●●○	●●○
Risk management	●●○	●●○	●●○	●●○	●●○	●●○
Governance, regulatory and compliance	●●●	●●○	●●○	●●○	●●○	●●○

## Board of Directors

# Our highly experienced Board



## Peter Simmonds

NON-EXECUTIVE CHAIR

### Date of appointment:

Non-Executive Director since August 2020, and Non-Executive Chair from September 2020

### Board tenure:

2 years

Peter was previously CEO of dotDigital Group plc for eight years until his retirement in 2015, where he remained on the board as a Non-Executive Director until 2018. Peter has been Non-Executive Chair of D4T4 Solutions plc since 2015 and, until January 2022, of CloudCall. Peter is FCCA qualified and has more than 40 years of senior management and board-level experience; principally in software, banking, insurance, finance and outsourcing. Peter is an advocate of high standards of corporate governance, until recently holding the position of Deputy Chair of the Quoted Companies Alliance.

### Key external appointments and changes:

- Non-Executive Chair of D4T4 Solutions plc



## Andy Balchin

SENIOR INDEPENDENT  
NON-EXECUTIVE DIRECTOR

### Date of appointment:

Non-Executive Director since May 2017, and Senior Independent Non-Executive Director from October 2020

### Board tenure:

5 years

Andy has over 30 years of financial experience in high-growth software companies, including Smartstream, SeeBeyond, Documentum, and Clearswift. Until December 2018, he was Chief Financial Officer of the cyber division of RUAG Holding AG, a major Swiss organisation. Andy is a Chartered Accountant and has experience working in a private equity environment, in M&A and IPO transactions, as well as in external audit during his early career. As well as being a Non-Executive Director, he also mentors a number of CFOs and prospective CFOs in hi-tech businesses.

### Key external appointments and changes:

- N/A



## Jenny Knott

NON-EXECUTIVE DIRECTOR

### Date of appointment:

Non-Executive Director since October 2020

### Board tenure:

2 years

Jenny brings unparalleled experience from an executive career in financial services, including CEO of Standard Bank Intl, and, prior to that, senior roles at Nomura Securities and UBS; and was named one of the top 100 influencers by Financial Technologist in 2018. In addition to her non-executive roles at the British Business Bank and Simply Health, Jenny is a trustee for Domestic Abuse Volunteer Support Services and an adviser to many leaders, FinTechs' and other young businesses.

### Key external appointments and changes:

- Non-Executive Director of British Business Bank, Chair of Board Audit Committee
- Non-Executive Director of Simply Health, Chair of Risk and Capital Committee





A N

**Dr. Ruth Wandhöfer**

NON-EXECUTIVE DIRECTOR

**Date of appointment:**

Non-Executive Director since October 2020

**Board tenure:**

2 years

Ruth is a Global Fintech 50 Influencer and is currently Chair of the Payment Systems Regulator Panel and a partner at Gauss Ventures, as well as holding Non-Executive Director positions at Permanent TSB (Ireland), Aquis Exchange, and RTGS Global. Her prior roles have included spearheading regulatory and market strategy for treasury and trade solutions at Citi, advising the European Banking Federation on policy making for securities services and payments, and serving as a NED of the London Stock Exchange Group.

**Key external appointments and changes:**

- Chair of the Payment Systems Regulator Panel
- Partner at Gauss Ventures
- Non-Executive Director of Permanent TSB
- Non-Executive Director of Aquis Exchange Group
- Non-Executive Director of RTGS Global

**Ian Manocha**

CHIEF EXECUTIVE OFFICER

**Date of appointment:**

Chief Executive Officer and member of the Board since June 2015

**Board tenure:**

7 years

Ian has extensive experience in the business technology sector. He joined Gresham from SAS where he worked for over 15 years, most recently as Vice President of the EMEA and AP business units. Ian has worked extensively with many of the world's leading financial institutions and has been successful in growing companies to significant scale through securing and delivering high-value enterprise software deals.

**Committee membership**

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

**Tom Mullan**

CHIEF FINANCIAL OFFICER

**Date of appointment:**

Chief Financial Officer and member of the Board since March 2018

**Board tenure:**

4 years

Tom spent seven years with Ernst & Young. After qualifying with them as a Chartered Accountant in Southampton, he spent time working in the Australian business before joining the London office managing a portfolio of clients. Tom then joined Guidewire Software, a Silicon Valley-based insurtech business, where he spent eight years scaling the finance and business operations of their EMEA region. Before joining Gresham, Tom spent two years as CFO at Fadata, a PE backed insurtech business.

## Statement of corporate governance

### Statement by the Directors on compliance with the UK Corporate Governance Code

The Company has complied with the relevant provisions set out in the UK Corporate Governance Code 2018 (the “Code”) throughout the year.

#### Board leadership and company purpose

The Board of Gresham Technologies PLC is the body responsible for the overall management and conduct of the Group’s business, and for approving and overseeing the implementation of its strategy. Its role is to provide strategic leadership to the Group within a framework of effective controls, enabling risk to be anticipated, assessed and managed appropriately. The Board is responsible collectively to the Group’s shareholders for the long-term sustainable success of the Company, generating value and contributing to wider society, and in establishing the Company’s purpose, values and strategy. In the performance of its duties, the Board considers the interests of a range of stakeholders and the matters set out in section 172 of the Companies Act 2006 (which can be found on page 22).

The Board is committed to maintaining a healthy corporate culture, recognising the importance of investing in and rewarding its workforce. As part of this, the Group has established clear values, has systems in place to promote wellbeing at work, seeks to create an environment where individuals are fulfilled, and operates a share incentive plan that ensures our people share in the success of the Group. In 2022, the Board published a statement on Equality, Diversity and Inclusion, confirming: our zero-tolerance approach to discrimination of any kind; how we value different backgrounds, experiences, expertise and ways of thinking; and our support for equal opportunities and a place of belonging regardless of age, disability, sex, sexual orientation, pregnancy and maternity, race, ethnicity or colour, religion or belief, gender, gender identity or expression, national origin, genetics, marriage or civil partnership, or veteran status.

#### Dialogue with institutional shareholders

The Board as a whole is responsible for ensuring that a dialogue is maintained with shareholders based on the mutual understanding of objectives. Members of the Board meet with major shareholders on a regular basis, including presentations after the Company’s announcement of the half-year and year-end results. During 2022, there was additional dialogue as part of the remuneration consultation (see page 66).

The Board is kept informed of the views of shareholders at Board meetings following investor meetings through a report from the Chief Executive, together with formal feedback on shareholders’ views gathered and supplied by the Company’s advisers. The views of private and smaller shareholders, typically arising from the AGM or from direct contact with the Company, are also communicated to the Board on a regular basis.

Mr A Balchin, the Senior Independent Non-Executive Director, and Mr P Simmonds, the Non-Executive Chair, are available to shareholders if they have concerns where contact through the normal channel of Chief Executive has failed to resolve or for which such contact is inappropriate.

#### Constructive use of the AGM

Following a period of restricted meetings due to the COVID-19 pandemic, the Company’s 2022 AGM was open to shareholders attending in person, in addition to being broadcast to allow the meeting to be followed remotely.

Details of resolutions to be proposed at the AGM can be found in the Notice of the Meeting. A separate resolution is proposed for each substantially separate issue including a separate resolution relating to the Annual Financial Report 2022.

#### Engagement with the workforce

The Group does not currently have a formal workforce advisory panel or designated Non-Executive Director responsible for workforce engagement, nor does it have a designated Director appointed to the Board from the workforce who is responsible for this. However, the Board has alternative arrangements in place for workforce engagement which it considers to be effective, including: an annual employee engagement survey, results of which are presented to the Board; occasional attendance by Board members at the Group’s monthly “all-hands” CEO calls; direct Board presentations by the Group’s Director of People & Culture; receipt of monthly Board reports on people and culture matters; and specific dialogue between the Director of People & Culture and Chair of the Remuneration Committee in relation to remuneration arrangements affecting the workforce as a whole.

### Division of responsibilities

#### Board membership, roles and responsibilities

As at 31 December 2022, the Board comprised of the Non-Executive Chair, one Senior Independent Non-Executive Director, two Non-Executive Directors and two Executive Directors, details of which are set out on pages 44 and 45. All Non-Executive Directors are considered to be independent.

The roles of Chair and Chief Executive are distinct, set out in writing and agreed by the Board. The Chair is responsible for the effectiveness of the Board and ensuring communication with shareholders, with the Chief Executive accountable for the day to day management of the Group.

Non-Executive Directors constructively challenge and assist in the development of the Group’s strategy, scrutinising the performance of management in meeting agreed goals and objectives, and monitoring the reporting of performance.

The Senior Independent Non-Executive Director, Mr A Balchin, acts as a sounding board for the Chair and serves as an intermediary for other Directors. He also provides an alternative channel of communication for shareholders if they have concerns which contact through the normal channels of Chair or Chief Executive has failed to resolve, or for which such contact is inappropriate.

The Company Secretary, Mr J Cathie, has been in position since March 2014; and is not a Director of the Company. The appointment and removal of the Company Secretary is a matter for the Board as a whole.



## Operation of the Board

The Board is responsible to shareholders for the proper management of the Group.

The Board normally meets once per month and operates an annual cycle of matters for its consideration, supplemented with strategic topics and governance matters. The frequency and focus of meetings, agendas and presentations are kept under review to ensure the best possible use of the time of the Board of Directors and to ensure effective business decisions are taken. A formal schedule of matters specifically reserved for the Board is in place.

Directors have access to the advice and services of the Company Secretary on matters related to their role on the Board, as well as access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties. The Company Secretary is present at all Board and Committee meetings and is responsible for ensuring Board procedures are complied with.

The Company maintains appropriate insurance cover in respect of legal action against the Company's Directors and the Company Secretary, but no cover exists in the event that the Director is found to have acted fraudulently or dishonestly.

Where Directors have concerns which cannot be resolved about the running of the Company or a proposed action, these concerns are recorded in Board minutes. On resignation, a Non-Executive Director is required to provide a written statement to the Chair for circulation to the Board if there are any such concerns.

The Board has formed Audit, Remuneration and Nomination Committees in line with the UK Corporate Governance Code 2018, to deal with the specific aspects of the Group's affairs. Details of the Committees' constituent members and the roles, responsibilities and activities of each of the Committees are described in more detail starting from page 49.

## Meetings and attendance

The following table summarises the number of Board, Audit Committee, Remuneration Committee and Nomination Committee meetings held during the year, and the attendance record of individual Directors at those meetings.

Number of meetings attended	Board	Audit	Remuneration	Nomination
P Simmonds	12/12	—	5/5	2/2
A Balchin	11/12	3/3	5/5	2/2
J Knott	12/12	3/3	5/5	2/2
R Wandhöfer	9/12	3/3	—	2/2
I Manocha	12/12	—	—	—
T Mullan	12/12	—	—	—

## Composition, succession and evaluation Nomination Committee

A report from the Chair of the Nomination Committee is provided, starting on page 49.

### Induction and training

New Directors receive a thorough and tailored induction on their appointment to the Board, covering the activities of the Group and its key business and financial risks, the terms of reference of the Board and its Committees, and the latest financial information about the Group.

The Chair, with the support of the Company Secretary, ensures Directors update their skills, knowledge and familiarity with the Group required to fulfil their roles on the Board and Committees. Relevant training, advice and information is provided to Directors to enable the Board to function both effectively and efficiently. This is achieved through internal and external adviser presentations, papers and updates on legislative and regulatory changes, and updates from senior management on sector-specific matters.

### Evaluation of the Board's performance

In accordance with the UK Corporate Governance Code, an evaluation of the Board, Committees, Directors and the Chair is carried out annually. The evaluation carried out in the year was conducted by the Company Secretarial team at the Chair's instruction, the objective and scope of which was to assess all aspects of the Board's effectiveness. A high level summary of the 2022 evaluation results is set out below.

**Division of responsibilities:** there was unanimous feedback that there remains an appropriate and clear division of responsibilities between the Chair and Chief Executive.

**Development, information and support:** Executive Directors with internal and external Gresham focused knowledge, Non-Executive Directors with more diverse external market-facing knowledge, and a range of internal and external resources from advisors and the Company Secretarial team, collectively ensure the Board has a well-balanced set of information and support available.

**Time and commitment:** Board members were found to devote an adequate amount of time to their responsibilities, with excellent attendance at Board and Committee meetings, although late notice availability was occasionally challenging and some feedback indicated that too much time was allocated to governance relative to strategic matters. Steps are in place to address these challenges in 2023.

**Risk management and control:** there was positive feedback on the increased focus and attention given to risk in the last year, whilst noting that the risk framework will be further developed in 2023 (see page 38).

**Succession planning:** the last formal succession planning exercise took place in 2020, resulting in the appointment of directors Peter Simmonds, Jenny Knott and Ruth Wandhöfer. In line with Listing Rule LR 9.8.6, succession planning will feature during 2023 for both Executive Directors and Non-Executive Directors, to ensure that their composition continues to be challenged and addressed.

### Retirement and re-election

All Directors are subject to election by shareholders at the first AGM immediately following their appointment. Thereafter, Directors are subject to annual re-election. All Non-Executive Directors are appointed for fixed terms in line with corporate governance requirements, subject to re-election.

## Statement of corporate governance continued

### Audit, risk and internal control

#### Audit Committee

A report from the Chair of the Audit Committee is provided, starting on page 50.

#### Financial reporting

The Board is responsible for presenting a balanced and understandable assessment of the Company's position and prospects, extending to interim reports and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements. A statement of the Directors' responsibilities is set out on page 70.

Management and specialists within the Group's finance department are responsible for ensuring the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reported. All financial information published by the Group is subject to the approval of the Audit Committee.

#### Principal risks

A report on the principal risks and uncertainties affecting the Company is provided, starting on page 38.

#### Going concern

The Directors are required to report that the business is a going concern, with supporting assumptions and qualifications as necessary. The Directors have concluded that the business is a going concern as further explained in the Directors' Report starting on page 67.

#### Viability statement

The Directors confirm that they have assessed the prospects of the Group over a three-year period commencing 1 January 2023 and that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for that period.

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

In making this statement, the Directors have considered the Group's current position and the potential impact of the principal risks and uncertainties described on page 38 on the Group's business model, future performance, solvency or liquidity, taking account of severe but reasonable scenarios and the effectiveness of any mitigating actions, and have performed stress test analyses based on likely outcomes.

### Control environment

The Group operates within a control framework developed and strengthened over a number of years and communicated as appropriate by a series of written procedures. These lay down accounting policies and financial control procedures, in addition to controls of a more operational nature. The key procedures that the Directors have established with a view to providing internal control are as follows:

- the establishment of the organisational structure and the delegated responsibilities of operational management;
- the definition of authorisation limits, including matters reserved for the Board;
- regular site visits by the Executive Directors, with the results reported to Board meetings;
- the establishment of detailed operational plans and financial budgets for each financial year;
- maintenance of a register of principal risks, which is reviewed and updated at every Board meeting;
- review of regular, detailed monthly management reporting provided for every Board meeting which encompasses both a review of operational activities and entries arising on consolidation;
- reporting and monitoring performance against budgets and rolling forecasts;
- the security of physical property and computer information; and
- detailed due diligence on all acquisitions.

### Remuneration

A report from the Chair of the Remuneration Committee is provided, starting on page 53.

# Nomination Committee Report



## Nomination Committee members and attendance

Member	Meetings
Peter Simmonds (Committee Chair)	2/2
Andy Balchin	2/2
Jenny Knott	2/2
Ruth Wandhöfer	2/2

## Dear shareholder

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2022.

The key activities of the Committee in the year were:

- commissioning a Group-wide statement on Equality, Diversity and Inclusion;
- arranging a Board skills review to identify any key skills gaps to take into account for succession planning; and
- reviewing Board diversity requirements.

The Committee keeps under review, and takes appropriate action to ensure, orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience. As regards Non-Executive Directors, the Committee considers, amongst other factors, their other significant outside commitments prior to making recommendations, to ensure they have sufficient time to dedicate to their role. The Committee keeps any changes to these commitments under review. The Committee has not approved any external appointment where such appointment is considered to be significant.

The Board's policy is to ensure that all appointments are merit-based and based on objective criteria, giving due regard to equality of opportunity, and to promote inclusion and diversity. The Board notes that achieving diversity in the technology sector is especially challenging due to the available pool of individuals with the right skills, experience and talent; however is committed to keeping this under review. Given the relatively small size of the Board and the Group, the Committee does not currently set any measurable objectives for implementing a diversity policy, but acknowledges the role of the Board in promoting diversity throughout the Group. In the year the Committee commissioned a group-wide statement on Equality, Diversity and Inclusion. See page 26 for wider gender balance data; which is being looked at holistically by the People & Culture team.

To comply with Listing Rule 9.8.6(9), as at 31 December 2022 (chosen reference date) the following data was collected via an anonymous e-survey from the Company Secretarial team for reporting purposes.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
Men	4	66.6%	4	6	75%
Women	2	33.3%	0	2	25%
Other	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	6	100%	4	8	100%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	0	0%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

In accordance with the UK Corporate Governance Code 2018, all Directors are subject to election or annual re-election (as the case may be). Having considered the contribution of individuals on the Board, it is apparent to me that each Director brings specific expertise to the Board and makes a valuable contribution to the Company's long-term success. I therefore have no hesitation in recommending them to shareholders.

**Peter Simmonds**

CHAIR OF THE NOMINATION COMMITTEE

13 March 2023



CORPORATE GOVERNANCE



## Audit Committee Report



### Audit Committee members and attendance

Member	Meetings
Andy Balchin (Committee Chair)	3/3
Jenny Knott	3/3
Ruth Wandhöfer	3/3

### Dear shareholder

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 December 2022. The Committee's main role remains unchanged – to monitor the integrity of the Group's financial reporting, to assess the effectiveness of its internal controls and risk management processes, and to ensure that our external auditor, BDO LLP, delivers a high-quality effective audit.

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

In order for the Committee to properly discharge its role, it is critical that we have the opportunity to openly discuss with management any matter which falls within our remit, and probe and challenge where necessary. The Chief Executive Officer and the Chief Financial Officer attend our meetings by invitation, and other senior managers (including the Director of Financial Operations and Control) are invited to provide financial, technical or business information as necessary. In addition, our meetings relevant to audit are attended by the lead audit partner from BDO and other representatives. Their attendance is important as it gives us the opportunity to seek their independent and objective views on matters which they encounter during their audit. At least once a year, we meet separately with the external auditor to discuss matters without executive management present. On a more frequent basis, I meet with the Chief

Financial Officer and other senior management to ensure issues or concerns can be raised at an early stage, allowing sufficient time to be devoted at subsequent meetings. There is an open and constructive communication between the Committee, management and external auditor.

In the prior year, the Committee specifically considered and challenged management on the impact and potential risks associated with the financing, acquisition and integration of Electra Information Systems, Inc. This ensured a robust approach to the related processes, including due diligence, risk management, internal controls and financial reporting. The Committee has continued to pay significant attention to KPIs and segmental reporting including alternative performance measures of the enlarged Group, with reporting continuing to evolve from transitional acquisition and integration metrics to be increasingly combined as well as being reflective of the continued weighting of Group towards that of a subscription software business.

The Committee has continued to pay attention to the potential impact and risks to the Group arising from global economic, international trade and market conditions. These matters are discussed in the Principal Risks and Uncertainties starting on pages 38 to 40. Whilst Brexit-related risks appear to have reduced, the Committee intends to continue monitoring the risks associated with the impact of the geopolitical and economic instability caused by the deplorable actions of Russia in Ukraine.

### Responsibilities

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

- monitoring the integrity of the reported financial statements of the Group, any formal announcements relating to the Group's financial performance, and reviewing significant financial issues and judgements contained in them;
- challenging and monitoring the appropriateness, relevance and integrity of the Group's alternative performance measures ("APMs"); including their selection, measurement and presentation;
- reviewing and assessing the process which management has put in place to support the Board when giving its assurance on annual financial reports;
- reviewing the Group's internal financial controls, and internal control and risk management systems;
- reviewing the Group's speak-up (whistleblowing) arrangements;
- reviewing the need for a separate internal audit function;
- making recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor; and to approve the remuneration and terms of engagement of the external auditor;
- ensuring an appropriate relationship with the external auditor to include the reviewing and monitoring of its independence and objectivity, and the effectiveness of the audit process, based on a sound plan to ensure it delivers a high-quality effective audit;
- developing and implementing policy on non-audit services; and
- reporting to the Board, identifying any matters for which it considers that action or improvement is needed and making recommendations as to the steps to be taken.



## Significant judgements in relation to financial statements

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

Significant issue and explanation	Work undertaken by the committee in forming an opinion
<b>Capitalised development costs</b> <p>Development costs are accounted for in accordance with IAS 38 “Intangible Assets”, and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including estimates of the technical and commercial viability of the asset created and its applicable useful economic life. These estimates are continually reviewed and updated by management based on past experience and reviews of competitor products available in the market.</p>	<p>The Committee has reviewed reports from management identifying the development costs capitalised, the technical and commercial feasibility of the product being produced, and whether further costs continue to fulfil the required IAS 38 criteria. The Committee’s review encompasses direct discussion with executive and operational management, in addition to reviewing monthly formal reporting to the Board on development and associated sales and implementation activity. The treatment of development costs is an area of focus for the external auditor, which reported its findings to us. We concluded that management’s key assumptions, judgements, estimates and disclosures were reasonable and appropriate.</p>
<b>Revenue and profit recognition</b> <p>Revenue and the associated profit are recognised from the sale of software licences, rendering of services, subscriptions and maintenance and solution sales. Whilst in most cases performance obligations clearly follow the commercial and contractual arrangement agreed with the customer, in some cases the revenue streams are combined within an overall commercial arrangement. Such bundling requires judgement to assess performance obligations associated with each revenue stream and further judgement as to when and how such performance obligations have been discharged in order to recognise the associated revenue. The estimation of the stage of completion, along with the unbundling of multi-element solution sales, represents a risk of incorrect revenue recognition.</p>	<p>The Committee has reviewed management’s descriptions and status reports on material new deals and on project work-in-progress through the year, both through direct discussion and formal month-end reporting to the Board. The Committee has furthermore considered management’s assessments made on percentage of completion of material work-in-progress, and other judgements such as bundling or unbundling of revenue streams, and the resulting impact on revenue and profit recognition. Revenue recognition is an area of focus for the external auditor, which reported its findings to us. We considered whether the accounting treatment for revenue and profit recognition was in accordance with agreed methodology, the Group’s accounting policies and IFRS 15 “Revenue from Contracts with Customers” and concurred with management’s opinion that it was.</p>
<b>Impairment reviews</b> <p>The Group is required to perform impairment reviews of goodwill annually at the reporting date and, in addition, performs impairment reviews of capitalised development costs to identify any intangible assets that have a carrying value that is in excess of their recoverable value. Determining the recoverability of an intangible asset requires judgement in both the methodology applied and the key variables within that methodology. Where it is determined an intangible asset is impaired, its carrying value will be reduced to its recoverable value with the difference recorded as an impairment charge in the income statement.</p>	<p>The Committee has considered management’s assessments of value in use of cash-generating units of intangible assets (principally goodwill and capitalised development costs) at the reporting date. This included specifically considering and subsequently approving business plans prepared by management supporting the future performance expectations used in the calculation of the value in use. Impairment reviews were also an area of focus for the external auditor, which reported its findings to us. We considered whether the accounting treatment performing impairment reviews was in accordance with agreed methodology, the Group’s accounting policies and IAS 36 “Impairment of Assets”. We concluded that management’s key assumptions were reasonable.</p>

## Interaction with the Financial Reporting Council (“FRC”)

During the year, the Group was made aware that the FRC included Gresham’s Annual Report and Accounts to 31 December 2021 in their sample for their thematic review of judgement and estimate disclosures. A limited scope review was carried out by staff at the FRC who have an understanding of the legal and accounting frameworks that the Group operates within. The FRC were pleased to report that they did not have any questions or queries to raise with regards to the Group’s judgement or estimate disclosures within the 2021 Annual Report and Accounts. However, the FRC did raise some areas of potential disclosure that they have considered might have relevance to readers of our accounts which the Board have given due consideration to.



## Audit Committee Report continued

### Fair, balanced and understandable

At the request of the Board, the Committee considered whether this Annual Report was a fair, balanced and understandable assessment of the Group's position and prospects. In reaching its conclusion, the following was considered:

- skills and experience of the team with responsibility for the preparation and review of the Annual Report;
- drafting stages of the report to ensure consistency of tone and message, with a balanced approach to the linkage of various statements and sections of the report;
- input of the Executive Directors and ultimately the Board of Directors on the layout, design and content of the Annual Report;
- review of applicable legislation and regulatory requirements to be incorporated into the Annual Report, by the Company Secretarial team;
- verification of financial numbers and commentary undertaken by the Executive Directors; and
- review by the Committee before the Annual Report is presented to the Board for approval.

### Risk management and internal control systems

The Board is responsible for maintaining a sound risk management and internal control system to safeguard shareholders' investment and the Company's assets. The Directors acknowledge their ultimate responsibility for ensuring that the Group has in place systems of controls, financial and otherwise, and for managing risk, that are appropriate to the business environment in which it operates and the risks to which it is exposed and for monitoring those systems.

During the year, a new risk management framework was implemented, which was reviewed by the Committee and Board alongside the Group's internal control systems (further details can be found on page 38). This review covered all material controls, including financial, operational and compliance controls, and took into account the risks and potential impact arising from Brexit and the war in Ukraine.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board, and newly established Risk Review Board (see further details on page 38), consider risk management and the internal control environment to be areas for continuous improvement, commensurate with the growth and complexity of the Group. Ongoing discussions with, and challenge to, management aiming to further enhance the Group's internal control and risk management, occur through both formal and informal channels.

An embedded ongoing process for identifying, evaluating and managing the principal risks faced by the Group is regularly reviewed by the Board, and remains in place up to the date of the approval of the financial statements.

### Speak-up (whistleblowing) arrangements

The Committee has reviewed arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters of concern and concluded that they remain appropriate.

### Compliance policies

The Group has a number of compliance policies including, Whistleblowing, Data Protection, and Anti-Bribery. Any breach of these policies is a disciplinary matter and dealt with accordingly.

### Internal audit function

During the year, the Committee considered the need for a separate internal audit function and its impact on the external audit and concluded that, based on the size of the Group, a separate internal audit function is not necessary at this stage of the Group's maturity. The need for an internal audit function is reviewed at least annually.

### External auditor

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

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

Following this internal evaluation, the Committee concluded that there had been appropriate focus, challenge and communication on the primary areas of audit focus from BDO in the year. The Committee is therefore satisfied with the effectiveness and independence of the external auditor.

### Non-audit services

The Committee reviews and controls the manner in which non-audit services are awarded, especially to the external auditor. All significant non-audit work, and work of a non-compliance consultancy nature, requires Audit Committee approval. Non-audit services will only be approved by the Committee if:

- engagement of the auditor does not impair the independence or objectivity of the external auditor;
- there are no conflicts of interest; and
- aggregate fees for permitted non-audit services do not exceed 70% of the average audit fees over the past three years.

In the year, there were no non-audit fees paid to the external auditor (2021: nil).

### Andy Balchin

CHAIR OF THE AUDIT COMMITTEE

13 March 2023

# Introduction to the Remuneration Report



## Remuneration Committee members and attendance

Member	Meetings
Jenny Knott (Committee Chair)	5/5
Andy Balchin	5/5
Peter Simmonds	5/5

## Dear shareholder

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2022.

The key activities of the Committee in the year included:

- determining the increases to basic pay for the year commencing 1 April 2022 for Executive Directors in accordance with the Company's established methodology;
- setting the performance measures and targets for variable pay awards under the Annual Bonus Scheme in respect of 2022, and for matching awards under the LTIP in respect of the three financial years 2022 to 2024;
- assessing the performance of the Group and each Executive Director against the pre-determined targets for 2022, and determining final outcomes for the year under the Annual Bonus Scheme; details of which are set out in the following pages;
- reviewing and approving the grant of awards to certain individuals under the Performance Share Plan;
- conducting a consultation with major shareholders in relation to the vote on the Remuneration Report at the AGM in 2022, which was passed with less than 80% majority; and

- engaging external remuneration consultants to carry out an independent review of our Directors' Remuneration Policy and Remuneration Report. Following this review, we are pleased to include in the following pages a fully updated Directors' Remuneration Policy, which will be put to shareholders for approval at the forthcoming AGM, and also a revised Remuneration Report, which will be put to the usual advisory vote at the AGM. Both of these documents are intended to improve transparency in our remuneration arrangements, adopt remuneration best practices, and reflect shareholder feedback where considered appropriate by the Committee.

Looking ahead to 2023, the Committee is mindful of the continued impact of the prevailing inflationary environment on pay expectations and talent retention, which the Committee is considering carefully in its application of the Company's established methodology for determining pay increases across the Group.

As a result of this, the average pay rise across the global population is approximately 6.6%. Base pay increases for the Chief Executive and Chief Financial Officer have been set at 6.5%.

Other information on how the Directors' Remuneration Policy is expected to be applied in 2023, including in relation to the Annual Bonus Scheme and the LTIP, is set out in the following pages.

I hope this introduction provides an informative overview of the key activities of the Committee in the year, and that our formal Remuneration Report on the following pages demonstrates our ongoing commitment to ensuring that executive reward incentivises positive outcomes for shareholders, by reflecting strong linkage with strategy and a fair, transparent and collaborative corporate culture.

## Jenny Knott

CHAIR OF THE REMUNERATION COMMITTEE

13 March 2023



## Remuneration Report

### Directors' Remuneration Policy

The Directors' Remuneration Policy (the "Policy") has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2019, the provisions of the UK Corporate Governance Code (2018), and the Listing Rules.

The Policy sets out the Company's policy on remuneration for Executive and Non-Executive Directors and will be subject to a binding shareholder vote at the Annual General Meeting to be held in May 2023. If approved, the Policy will take effect from 1 January 2023 and will last for three years.

#### General principles

Our policy for Directors' remuneration arrangements and practices is based on certain general principles, which are that remuneration should:

- be sufficient to attract, motivate and retain Directors in order to deliver the Group's strategic and financial goals;
- support the Group's vision, purpose and values;
- align interests of Directors with those of shareholders and other key stakeholders;
- be simple and transparent; and
- for Executive Directors, ensure that an appropriate proportion of the overall remuneration package is incentive pay, determined by reference to individual performance, Group performance and market conditions.

The Committee has been careful to take full account of the remuneration-related provisions contained in the Code in our design considerations. With regard to the six factors outlined in Provision 40 of the Code, these have been addressed as follows:

- **Clarity** – Our remuneration framework is structured to support financial delivery and the achievement of strategic objectives, aligning the interests of Executive Directors with those of our shareholders. Our Policy is transparent and well understood by our Senior Executive team. It has been clearly articulated herein for the benefit of our shareholders and representative bodies.
- **Simplicity** – Our remuneration framework is straightforward to communicate and operate. We have operated the same simple and transparent overarching structure for several years and applied it on a consistent basis.
- **Risk** – Our incentives have been structured to ensure that they are aligned with the Board's system of risk management and risk appetite. Inappropriate risk-taking is discouraged and mitigated through, for example (i) the operation of arrangements that provide an appropriate balance of fixed pay to short- and long-term incentive pay and through multiple performance measures based on a blend of financial, non-financial and shareholder return targets, (ii) the deferral of a proportion of annual bonus into shares and the operation of a post-vesting holding period for the LTIP, (iii) the operation of significant in-employment and post-employment shareholding guidelines, and (iv) the operation of robust recovery and withholding provisions.
- **Predictability** – Our incentive plans are subject to individual caps, with our share plans also subject to dilution limits. The Committee has full discretion to alter the pay-out level or vesting outcome to ensure payments are appropriately aligned with the underlying performance of the Company.
- **Proportionality** – Ensuring Executive Directors are not rewarded for failure underscores our approach to remuneration. For example, the significant proportion of our packages is based on long-term performance targets linked to the KPIs of the Company, and through our ability and openness to the use of discretion to ensure appropriate outcomes. There is a clear link between individual awards, delivery of strategy and our long-term performance. As mentioned above, formulaic incentive outcomes are reviewed by the Committee and may be adjusted having consideration to overall Group performance and wider workforce remuneration policies and practices.
- **Alignment to culture** – Our Policy is aligned to our culture and values. The Committee strives to instil a sustainable performance and continuous improvement culture at the management level that can cascade down throughout the Company. The Board sets the framework of KPIs against which we monitor the performance of the Company and the Committee links the performance metrics of our incentive arrangements to those KPIs. We are also keen to foster a culture of share ownership throughout the Company and operate all-employee share arrangements in pursuit of this objective.

#### Changes to the Policy

The key changes to this Policy from the one approved by shareholders on 30 December 2020 are as follows:

- an increase to the shareholding guideline applying to Executive Directors;
- removal of the ability to provide a pension contribution rate for new recruits which is higher than the workforce rate and including the ability to pay a pension contribution in cash;
- dividend equivalents may be payable on dividends payable during the relevant vesting and holding periods for vested share awards;
- the inclusion of additional malus and clawback triggers and to ensure consistency between our schemes;
- the inclusion of Committee override provisions in the incentive schemes to take account of overall business and/or individual performance over the relevant assessment periods;
- the inclusion of the ability to pay outplacement, professional legal fees and/or statutory entitlements or payments to settle a claim in the event of termination of employment; and
- greater detail on our policies for recruitment and loss of office.



## Remuneration Policy table

The table below sets out the Directors' Remuneration Policy for each element of pay.

Element of remuneration and link to strategy	
<b>Base salary</b> Supports the recruitment, motivation and retention of Directors of the calibre required to deliver the Group's strategy.	<b>Operation</b> Base salary is set on appointment, paid monthly and typically reviewed annually, with any increases normally applying from 1 April.
	<b>Framework</b> Base salary and reviews are assessed by the Committee on both Group and individual performance and, in the case of new Directors, their prior experience and skills. Consideration is also given to pay increases for other employees in the Group and to comparable pay for similar roles at similar companies. Where appropriate, the Committee will engage external remuneration consultants for benchmarking.
	<b>Maximum opportunity</b> Salaries will be eligible for increases during the period that this policy operates. Executives' increases will take into consideration a number of factors including the wider workforce increase, country-specific inflation, and individual performance. Increases beyond workforce pay awards may be made, for example, where there is a change of incumbent, in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group.
<b>Pension</b> Supports the recruitment, motivation and retention of Directors of the calibre required to deliver the Group's strategy.	<b>Operation</b> Pension contributions are made by the Company to a defined contribution scheme operated by a third party provider or may be payable as a cash allowance in lieu of pension.
	<b>Framework</b> Directors are eligible to make pension contributions by utilising the Company's approved pension scheme arrangements from time to time. The Company will match the Directors' pension contributions up to the specified maximum.
	<b>Maximum opportunity</b> The Company matches the Directors' pension contribution up to a maximum of 5% of base salary, in line with the general UK employee population.
<b>Benefits</b> Supports the recruitment, motivation and retention of Directors of the calibre required to deliver the Group's strategy.	<b>Operation</b> Benefits include private healthcare/medical insurance, dental insurance and death in service insurance (life assurance cover equal to 4 times base salary). Executives will be eligible for any other benefits which are introduced for the wider workforce on similar terms.  Any reasonable business-related expenses (and any tax thereon) can be reimbursed if determined to be a taxable benefit.  For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses as appropriate.
	<b>Framework</b> Directors are eligible to subscribe for benefits by selecting their preferred benefits options via the Company's approved benefits provider from time to time.
	<b>Maximum opportunity</b> The value of benefits may vary from year to year depending on the cost of the Company from third party providers.

# Remuneration Report continued

## Directors' Remuneration Policy continued

### Element of remuneration and link to strategy

#### Annual Bonus

Rewards and incentivises the Executive Directors to deliver annual strategic, financial and operational goals.

#### Operation

The annual bonus is calculated after the end of the financial year based on predetermined targets.

The annual bonus consists of a mix of cash and shares. The Committee retains discretion to determine the annual bonus split between cash and shares (which by default is 50:50) and to make appropriate adjustments having regard to the prevailing circumstances.

The cash element of the bonus is normally paid at or after the time of release of the final audited results. The shares are deferred for two years and then released.

Dividends or dividend equivalents may accrue on vested deferred bonus awards.

The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business and/or individual performance.

#### Framework

The Committee determines the relevant performance targets at the start of each financial year.

Targets are set predominantly (at least 75%) in relation to financial measures, with the balance based on non-financial objectives.

Payments and awards are subject to malus and clawback.

#### Maximum opportunity

The maximum potential annual bonus is 100% of base salary.

#### Long-Term Share Incentive Plan

Rewards and incentivises Executive Directors to deliver long-term financial growth and shareholder returns.

Acts as a retention mechanism.

Aligns Directors' interests with the long-term interests of shareholders and other key stakeholders.

#### Operation

This plan is operated pursuant to the rules of the Deferred Share Bonus Plan 2017 and is linked to the Annual Bonus.

At the time that the Annual Bonus is determined, an annual award of matching shares is granted under this plan, the quantum of which is linked to the number of deferred shares awarded in the Annual Bonus.

Matching awards are subject to a three-year vesting period and will only vest if and to the extent that pre-determined targets are achieved over that period.

Awards are subject to continuous employment, post-vesting holding, and malus and clawback.

Dividends or dividend equivalents may accrue on vested matching share awards.

The Committee retains discretion to adjust vesting levels in exceptional circumstances, including but not limited to an assessment of the overall performance of the business or individual over the three-year period.

#### Framework

The Committee determines the relevant targets for growth and returns measures.

The performance is assessed over three years.

#### Maximum opportunity

The maximum award in respect of a year is 4x the number of (gross of tax) deferred shares awarded under the Annual Bonus in the year of grant.

**Element of remuneration and link to strategy****Performance Share Plan 2020**

Rewards and incentivises Executive Directors for creation of shareholder value.

Acts as a retention mechanism.

Directly aligns financial incentives with returns to shareholders.

**Operation**

This plan is operated pursuant to the rules of the Performance Share Plan 2020. Share awards are made at the Committee's discretion. Awards are subject to performance conditions specified at the time of grant by the Committee and a three-year vesting period. Awards are subject to continuous employment, post-vesting holding, and malus and clawback. Dividends or dividend equivalents may accrue on vested performance share awards. The Remuneration Committee retains discretion to adjust vesting levels in exceptional circumstances, including but not limited to an assessment of the overall performance of the business or individual over the three-year period.

**Framework**

Awards vest subject to the achievement of performance criteria. A material proportion of an award is linked to performance conditions directly aligned to shareholder value growth. An award will not normally vest unless and until the Company's share price has increased by at least 20% relative to the share price at the date of grant.

**Maximum opportunity**

The maximum award in respect of a year is 100% of base salary or up to 200% in exceptional circumstances.

**Chair and Non-Executive Director fees**

Supports the recruitment and retention of individuals of the calibre required to constitute an effective Board and contribute to the Company's long-term success.

**Operation**

Fees for Non-Executive Directors are set by the Board (excluding Non-Executive Directors) and paid monthly.

**Framework**

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 and responsibilities. A supplemental fee is paid for the Chair role, SID role and for each Committee Chair role.

Additional fees may be paid for services outside of the normal duties subject to prior agreement with the Company.

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.

**Maximum opportunity**

Fees for the Chair and Non-Executive Directors are reviewed annually. Current fees are set out in the Directors' Remuneration Report.

## Remuneration Report continued

### Directors' Remuneration Policy continued

#### Remuneration Policy considerations

##### Selection of performance measures

The performance measures for the Annual Bonus and awards under the Long-Term Share Incentive Plan are selected to reflect the main KPIs and strategic priorities for the Group. The performance measures for awards under the Performance Share Plan are selected to directly align awards with shareholder value growth and to reflect key drivers of shareholder value growth. The Committee's policy is to set performance targets which are both challenging and achievable and that the maximum outcomes are only available for outstanding performance.

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

##### Operation of share plans and exercise of discretion

The Remuneration Committee operates the annual bonus, Long-Term Share Incentive Plan and Performance Share Plan according to the rules of each respective plan which, consistent with market practice, include certain discretions in relation to the operation of each plan, such as:

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments;
- determining the extent of vesting;
- treatment of awards and/or payments on a change of control or restructuring of the Group;
- whether an Executive Director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s);
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends);
- what the weighting, measures and targets should be for the annual bonus plan, matching and performance share plan awards from year to year;
- the Committee also retains the ability, within the policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan, share matching plan or performance share plan award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan, share matching plan and performance share plan awards with, in the case of share awards held by Executive Directors, adjusted performance conditions being not materially less difficult to satisfy than the original conditions would have been but for the relevant event(s); and
- the ability to override formulaic outcomes in line with policy.

All assessments of performance are ultimately subject to the Committee's judgement and discretion is retained to adjust payments in appropriate circumstances as outlined in this Policy. Any material discretion exercised (and the rationale) will be disclosed.

### Share ownership guidelines

The Company expects Executive Directors to build up and maintain a shareholding in the Company of a market value equal to 200% of base salary or more, including beneficially owned shares and any fully vested share awards/options (after deducting any unpaid acquisition or exercise costs). Executive Directors are expected not to dispose of any shares acquired under any Company share plan until he or she meets the minimum share ownership guideline.

Shares acquired by Directors pursuant to the Long-Term Share Incentive Plan and the Performance Share Plan are subject to a two-year post vesting holding period during which acquired shares may not be disposed of, save in cases of hardship or other circumstances where the Committee considers it appropriate. Any shares that are sold to discharge the option holder's fiscal (including tax) obligations are not treated as having been acquired.

Post employment, the Company expects Executive Directors to retain a shareholding valued at not less than 100% of base salary based on the share price at cessation (or, if lower, the value of shareholding upon cessation), for a period of one year following termination of employment, save in cases of hardship or other circumstances where the Committee considers it appropriate. Any shares disposed of during this period are required to be done in co-ordination with the Company and its brokers in order to ensure an orderly market is maintained.

### Malus and clawback

In the event of gross misconduct, fraud, malpractice, a material misstatement of results, a material breach of risk management, error in assessing performance conditions, corporate failure or insolvency, or other circumstances that, in the opinion of the Committee, have a sufficiently serious impact on the reputation of any Group business, the Committee may:

- require repayment of some or all of any Annual Bonus payment (including by way of reduction in the number of deferred shares released) for up to three years following payment; and/or
- reduce or cancel a vested or unvested share award made under any Company plan or require the participant to make a payment to the Company at any time from the date of grant of the award until three years after vesting of the award.

### Legacy arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Remuneration Policy, where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

### Recruitment of Directors

The Company's Nomination Committee is responsible for leading the process for Board appointments and making recommendations to the Board. Refer to the Nomination Committee Report for details.

New Directors will be offered remuneration packages in line with the Directors' Remuneration Policy in force at the time, with new appointments subject to the same remuneration principles as apply to incumbent Directors.





Individuals who are recruited or promoted to the Board may have their initial basic salary set at a lower level than would otherwise be the case, until they become established in their Board role. Subsequent increases in their salary may be higher than the average, subject to their ongoing performance and development.

Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for the first performance year of appointment. A Performance Share Plan award can be made shortly following an appointment (assuming the Company is not in a close period). In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.

In addition, the Committee may offer additional cash and/or share-based buyout awards when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration given up at the individual's former employer. This includes the use of awards made under 9.4.2 of the Listing Rules. Such awards would be capped at a reasonable estimate of the value foregone and would reflect, as far as possible, the delivery mechanism, time horizons and whether performance requirements are attached to that remuneration. Shareholders will be informed of any such payments at the time of appointment and/or in the next published Annual Report.

For the appointment of a new Chair or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy.

#### **Service contracts, letters of appointment**

It is the Company's policy to offer Executive Directors service contracts terminable with a maximum of twelve months' rolling notice from either side.

None of the Non-Executive Directors have a service contract. Appointments are for three-year terms, which may be renewed by mutual agreement, subject always to termination by either party at any time on three months' notice. Chair and Non-Executive Director appointments are subject to Board approval and election by shareholders at each Annual General Meeting.

Copies of service contracts and letters of appointment are held at the Company's registered office.

#### **Leavers and policy on payments for loss of office**

The Company may terminate the contract with immediate effect with or without cause by making a payment in lieu of notice by monthly instalments of salary and benefits, with reductions for any amounts received from providing services to others during this period. There are no obligations to make payments beyond those disclosed elsewhere in this report.

The Remuneration Committee strongly endorses the obligation on an Executive Director to mitigate any loss on early termination and will seek to reduce the amount payable on termination where it is appropriate to do so. The Committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded. The Executive Directors' contracts contain early termination provisions consistent with the Policy outlined above.

The Group may pay reasonable outplacement and professional legal fees incurred by Executives in finalising their termination arrangements, where considered appropriate, and may pay any statutory entitlements or settle compromise claims in connection with a termination of employment, where considered in the best interests of the Company. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans.

A pro-rated bonus may be paid subject to performance, for the period of active service only. Outstanding share awards may vest in accordance with the provisions of the various scheme rules.

Deferred shares awarded under the Annual Bonus are beneficially owned by the Executive and will be available to them upon leaving, save for forfeiture for serious misconduct. Clawback and malus provisions will also apply.

Under the Long-Term Share Incentive Plan and PSP, any outstanding awards will ordinarily lapse, however in "good leaver" cases the default treatment is that awards will vest subject to the original performance condition and time proration and the holding period will normally continue to apply.

For added flexibility, the rules allow for the Committee to decide not to pro-rate (or pro-rate to a lesser extent) if it decides it is appropriate to do so, and to allow vesting to be triggered at the point of leaving by reference to performance to that date, rather than waiting until the end of the performance period. On a change of control, any vesting of awards will be subject to assessment of performance against the performance conditions and normally be pro-rated.

Where a buy-out award is made under the Listing Rules then the leaver provisions would be determined at the time of the award.

#### **Wider staff employment conditions**

The Committee considers pay and employment conditions of other staff members of the Group when designing and setting executive remuneration. Executive Directors are compensated following similar frameworks as the general employee population, although the quantum differs due to the responsibilities attached to such roles. Executive Director pay reviews are set within the context of employee increases, with changes reflecting not only performance (individual and Group) but relevant competence and skills as would be applied to any other employee, as well as country-specific inflationary rates. Underpinning all pay is an intention to be fair to all staff, taking into account the individual's seniority and local market practices.

#### **Consultation with shareholders**

The 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. All shareholders are encouraged to attend the Company's AGM, and the Chair of the Remuneration Committee is available for meetings with shareholders should they have any concerns about remuneration matters.

#### **Consultation with employees and consideration of employment conditions**

The Company does not consult directly with employees when formulating and implementing the Directors' Remuneration Policy. However, when making decisions in relation to Executive pay and structures, the Committee takes into consideration terms and conditions elsewhere in the Group and the results of the Group's annual engagement survey. The Group's remuneration strategy and practices for the general employee population is determined in terms of best practice and ensuring that the Company is able to attract, motivate and retain people with the necessary skills and experience to advance the Group's strategic, financial and operational objectives. All employees are eligible to share in the success of the Group through performance-related remuneration and share ownership through an annual bonus and annual share matching plan (operated pursuant to the Deferred Share Bonus Plan). At the recommendation of Executive Directors and discretion of the Committee, certain key employees also participate in the Performance Share Plan.

## Remuneration Report continued

### Directors' Remuneration Policy continued

#### Consultation with employees and consideration of employment conditions continued

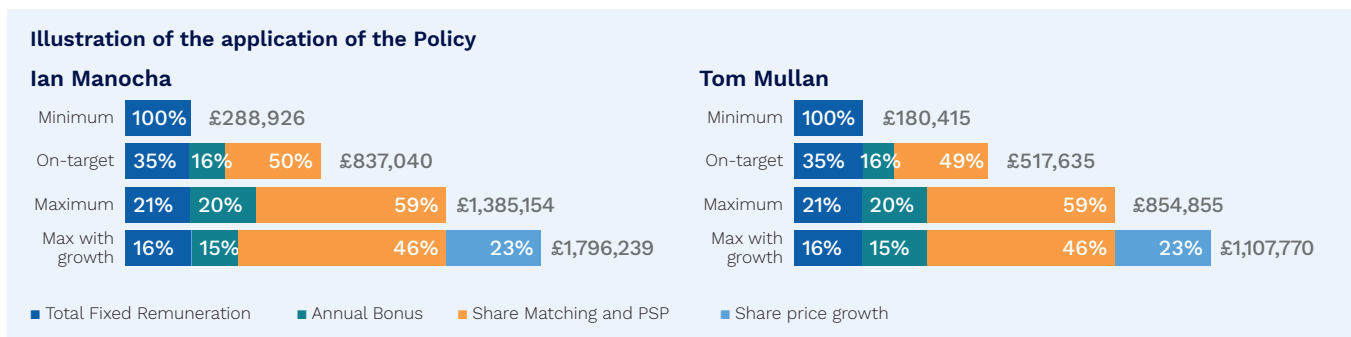
The Committee is kept updated throughout the year on general employment conditions and makes recommendations to the Board for the budget for annual salary increases. Furthermore, the Committee's oversight extends to the first level of management below Executive Directors, for which it approves and monitors the level and structure of remuneration. Where share awards are granted, the conditions are substantially the same for all participants, with the size of awards determined by seniority or other relevant factors.

#### Illustration of Remuneration scenarios

The following graphs set out an illustration of Executive Director pay for 2023. The potential reward opportunities for 2023 are based on the Remuneration Policy described herein. Projected values exclude the impact of share price movement (except in scenario 4) and the payment of dividends and actual outcomes may differ from those shown. Projected values also exclude any potential discretionary awards under the Performance Share Plan 2020.

Four different remuneration scenarios for 2023 are provided, as follows:

- the "minimum" scenario includes base salary, pension and benefits ("fixed remuneration") which are the elements of Executive Director pay that are not at risk;
- the "on-target" scenario includes fixed remuneration, plus an on-target bonus of 50% of base salary under the Annual Bonus (50% cash and 50% shares) and an assumption that related matching shares will vest three years later under the Long-Term Share Incentive Plan based on a 2x multiple of the shares awarded under the Annual Bonus, and PSP awards vesting at 50% of maximum;
- the "maximum" scenario includes fixed remuneration, plus a maximum bonus of 100% of base salary under the Annual Bonus (50% cash and 50% shares) and an assumption that matching shares will vest three years later under the Long-Term Share Incentive Plan based on a 4x multiple of the shares awarded under the Annual Bonus, and PSP awards vest at full on the basis of a 100% of salary grant; and
- the "maximum plus 50% share price increase" scenario, which includes the maximum scenario as described above plus the impact of a 50% increase to share price applied to matching and PSP share awards.



### Annual Report on Remuneration

#### Role of the Remuneration Committee

The Committee's key role is to determine and operate a Remuneration Policy that supports the Company's strategy and promotes long-term sustainable success and aligns the interests of Directors and Senior Executives with those of shareholders.

The Committee's primary responsibilities include:

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

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

The Committee addressed the following main topics during the year:

- reviewed and approved the remuneration packages for the Executive Directors including base salary increases for 2022;
- determined the annual bonus and LTIP/PSP outcomes in respect of the financial period ending 31 December 2021;
- reviewed and approved the metrics applying to incentive schemes granted in 2022; and
- carried out a review of the Directors' Remuneration Policy.

The Committee seeks professional advice where it considers it appropriate to do so. In the year, the Group engaged FIT Remuneration Consultants to carry out a review of the Directors' Remuneration Policy with total fees paid in the year of £4,800 (2021: £7,000 to Grant Thornton).



## Implementation of Policy for 2023

- Base salary: base salary for the Executive Directors is increased by 6.5% effective 1 April 2023. The average staff increase is 6.6%.
- Pension: a maximum matching contribution of 5% will be provided.
- Annual bonus: the annual bonus opportunity will be 100% of base salary, with target measures and weightings to be consistent with 2022 and the Remuneration Policy. In line with the Company's standard practice, details of the targets to be disclosed retrospectively in next year's report.
- Long-Term Share Incentive Plan: matching shares will be granted in 2023 based on the 2022 annual bonus outcome. The maximum matching awards will be 4x the value of the deferred bonus. These awards will vest after three years and are subject to the performance criteria for growth (Group revenue (excluding low fixed-margin contracting business)) and returns ("TSR"). The targets applying to each measure are not disclosed on the grounds of being commercially sensitive but retrospective disclosure of the targets and outcomes will be provided in the report for the year in which the award has vested.
- Performance Share Plan: the Committee retains discretion to make PSP awards in the year. Any awards granted to Directors will be disclosed through regulatory announcements and reported on in next year's report.
- Chair and NED fees: to be increased by 5% effective 1 April 2023.

## Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for Directors for the financial years ended 31 December 2022 and 2021:

	Base salary/fees <sup>(4)</sup> £	Benefits in kind <sup>(3)</sup> £	Annual bonus <sup>(1)</sup> £	Pension £	Long-Term Share Incentive plan <sup>(2)</sup> £	Total fixed pay £	Total variable pay <sup>(5)</sup> £	Total 2022 £
<b>31 December 2022</b>								
<b>Executive Directors</b>								
I Manocha	274,057	1,166	156,467	13,691	160,172	288,914	331,639	620,553
T Mullan	168,610	3,374	94,363	8,418	103,999	180,402	230,362	410,764
<b>Non-Executive Directors</b>								
P Simmonds	80,000	—	—	—	—	80,000	—	80,000
A Balchin	45,000	—	—	—	—	45,000	—	45,000
J Knott	45,000	—	—	—	—	45,000	—	45,000
R Wandhöfer	40,000	—	—	—	—	40,000	—	40,000
	<b>652,667</b>	<b>4,540</b>	<b>250,830</b>	<b>22,109</b>	<b>264,171</b>	<b>679,316</b>	<b>562,001</b>	<b>1,241,317</b>

(1) Comprises the total value of bonus of which 50% is paid in shares.

(2) These figures represent the estimated value of Long-Term Share Incentive Plan awards granted on 20 March 2020 based on the average share price for the three-month period ending 31 December 2022 of 154 pence.

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

(4) Mr I Manocha and Mr T Mullan received a base salary increase of 0.6% and 1.2% respectively in 2022. The average increase across Group employees in 2022 was 4.7%.

(5) Includes an additional bonus of £15,000 (CEO) and £32,000 (CFO), in line with disclosures made in 2021.

	Base salary/fees £	Benefits in kind <sup>(3)</sup> £	Annual bonus <sup>(1)</sup> £	Pension £	IFRS 2 share- based payment charge <sup>(2)</sup> £	Total fixed pay £	Total variable pay <sup>(4)</sup> £	Total 2021 £
<b>31 December 2021</b>								
<b>Executive Directors</b>								
I Manocha	271,717	1,887	135,057	13,574	64,813	287,178	329,870	617,048
T Mullan	166,595	3,103	83,173	8,317	51,367	178,015	187,540	365,555
<b>Non-Executive Directors</b>								
P Simmonds								
(appointed 1 Aug 2020)	80,000	—	—	—	—	80,000	—	80,000
A Balchin	45,000	—	—	—	—	45,000	—	45,000
J Knott								
(appointed 12 Oct 2020)	45,000	—	—	—	—	45,000	—	45,000
R Wandhöfer								
(appointed 12 Oct 2020)	40,000	—	—	—	—	40,000	—	40,000
	<b>648,312</b>	<b>4,990</b>	<b>218,230</b>	<b>21,891</b>	<b>116,180</b>	<b>675,193</b>	<b>517,410</b>	<b>1,192,603</b>

(1) Comprises the total value of bonus of which 50% is paid in shares.

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

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

(4) Includes an additional bonus of £130,000 (CEO) and £53,000 (CFO), in line with disclosures made in 2021.

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

# Remuneration Report continued

## Annual Report on Remuneration continued

### Variable pay outcomes for 2022

The variable element of Director pay in 2022 comprises a performance-based bonus under the Annual Bonus Scheme and an equity award under the Long-Term Share Incentive Plan. In addition, details of the Directors' unvested and/or unexercised (as the case may be) awards under the Performance Share Plan and the Share Option Plan 2010 are included in this section.

### Performance-based bonus under the Annual Bonus Scheme

The annual bonus awards in respect of 2022 for Executive Directors are set out in the table below. These awards have been initially assessed by the Committee by reference to predetermined annual performance targets linked to Group objectives and individual performance objectives.

Measure	Weighting	Threshold	Target <sup>(3)</sup>	Actual	% achieved (CEO) <sup>(3)</sup>	% achieved (CFO) <sup>(3)</sup>
Clareti ARR	33.75%	£22.5m	£28.9m	£28.1m <sup>(1)</sup>	67%	67%
Group revenue	11.25%	£33.6m	£43.3m	£48.7m	145%	145%
Clareti cash EBITDA	15%	£2.6m	£3.3m	£4.4m <sup>(2)</sup>	143%	143%
Group adjusted EBITDA	15%	£7.4m	£9.5m	£10.3m <sup>(2)</sup>	242%	242%
Personal objectives	25%	—	—	—	70%	60%
<b>Bonus Payment outcome</b>					<b>114%</b>	<b>112%</b>

(1) For the purposes of calculating bonus award, Clareti ARR constant currency was used, which was £26.3m. This resulted in a downward adjustment of bonus outcome, being deemed appropriate by the Committee for this measure due to the significant impact of currency fluctuations on this measure.

(2) In line with normal practice, Group cash EBITDA and Group Adjusted EBITDA were normalised to £4.6m and £10.6m respectively for the purposes of calculating % achievement to align with on-target bonus accruals at start of year.

(3) Target figures shown represent the attainment required to achieve 100% of on-target bonus. The % achieved is a reference to the % of the target of that measure earned.

The measures and weightings applied in 2022 were updated from 2021 by the Committee to recognise the evolution and changing shape of the business. In particular, the weighting of Clareti ARR was increased to 33.75% (from 30%) with a corresponding reduction to the weighting allocated to Group revenue, reflecting the Group's strategic focus on growing Clareti ARR. Furthermore, the Group cash EBITDA measure was introduced instead of Clareti cash EBITDA to emphasise the importance of cash profitability at Group level.

Each of the CEO and CFO were set personal objectives, the aggregate of which made up 25% of their respective bonus opportunity. For the CEO, these objectives included key account wins, Electra ARR and net retention growth, successful completion of certain strategic customer projects, execution of product strategy, improvement in sales metrics, employee engagement targets, and expansion of the institutional investor base. For the CFO, these objectives included management reporting enhancements, development of the FP&A function, realisation of investment synergies, as well as certain finance, and investor relation targets.

As disclosed in the 2021 report, an additional performance-related bonus was paid to the CEO and CFO in relation to certain pre-determined integration-related objectives; the amounts paid were £32,000 and £15,000 respectively.

### Equity awards under the Long-Term Share Incentive Plan

Awards were made under the Long-Term Share Incentive Plan on 20 March 2020 and were granted in accordance with the rules of the plan and the Remuneration Policy.

These awards were subject to the following measures, calculated over the three financial years 2020, 2021 and 2022.

	Weighting	Threshold	Maximum	Actual performance	% vesting
TSR	50%	112%	140%	160%	100%
Group Revenue <sup>(1)</sup>	50%	116%	144%	146%	100%

(1) Excluding Electra.

Overall, the March 2020 awards are expected to vest at 100% of maximum. As these awards will vest on 20 March 2023 which is after the date this report has been signed off, the figures in the single figure table are based on an estimated share price of 154p, being the three-month average share price to 31 December 2022.



## Equity awards granted during 2022

The table below provides details of share awards made to I Manocha and T Mullan on 31 March 2022:

	Type of Award	Basis of Award	Number of shares under award	Face value of award (£'000)	% vesting at threshold	Vesting/End of performance period
I Manocha	Deferred bonus award	50% of 2021 bonus	23,018	£35,540	n/a	31 March 2025
	LTIP award	4x deferred bonus award	87,472	£135,057	0%	31 March 2025
	Nil cost Option					
T Mullan	Deferred bonus award	50% of 2021 bonus	14,175	£21,886	n/a	31 March 2025
	LTIP award	4x deferred bonus award	53,868	£83,173	0%	31 March 2025
	Nil cost option					

The performance conditions applying to the LTIP awards are as follows:

Measure	Weighting	Threshold	Maximum
TSR	50%	20%	75%
Group Revenue	50%	10%	37%

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

The Group operated the Long-Term Share Incentive Plan and the Performance Share Plan (as shown in the Remuneration Policy) during the year, as well as the Share Option Plan 2010 (which is closed for new awards). The interests of the Directors under those plans at the start and end of the year are as set out in the tables below. The interests of the Directors to subscribe for or acquire ordinary shares have not changed since the year end. Further details concerning the plans, including vesting conditions, can be found in note 23 of the Group financial statements.

### Long-Term Share Incentive Plan

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

	Awards at 1 January 2021	Granted	Cancelled	Exercised	Awards at 31 December 2022	Date of grant	Exercise price	Date first exercisable	Expiry date
<b>Executive Directors</b>									
I Manocha <sup>(1) (2)</sup>	104,008	—	—	—	<b>104,008</b>	20.03.20	nil	20.03.23	20.03.30
I Manocha <sup>(1) (2)</sup>	137,937	—	—	—	<b>137,937</b>	31.03.21	nil	31.03.24	31.03.31
I Manocha <sup>(1) (2)</sup>	—	87,472	—	—	<b>87,472</b>	31.03.22	nil	31.03.25	31.03.32
T Mullan <sup>(1) (2)</sup>	67,532	—	—	—	<b>67,532</b>	20.03.20	nil	20.03.23	20.03.30
T Mullan <sup>(1) (2)</sup>	84,456	—	—	—	<b>84,456</b>	31.03.21	nil	31.03.24	31.03.31
T Mullan <sup>(1) (2)</sup>	—	53,868	—	—	<b>53,868</b>	31.03.22	nil	31.03.25	31.03.32
	393,933	141,340	—	—	<b>535,273</b>				

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

(2) Yet to vest.

# Remuneration Report continued

## Annual Report on Remuneration continued

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

#### Performance Share Plan 2020

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

	Awards at 1 January 2022	Granted	Cancelled	Exercised	Awards at 31 December 2021	Date of grant	Exercise price	Date first exercisable	Expiry date
<b>Executive Directors</b>									
I Manocha <sup>(1) (2) (3)</sup>	203,000	—	—	—	<b>203,000</b>	21.10.21	nil	21.10.24	21.10.31
T Mullan <sup>(3)</sup>	75,000	—	—	—	<b>75,000</b>	21.10.21	nil	21.10.24	21.10.31
	278,000	—	—	—	<b>278,000</b>				

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

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

(3) Yet to vest.

#### Share Option Plan 2010

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

	Options at 1 January 2021	Granted	Cancelled	Exercised	Options at 31 December 2021	Date of grant	Exercise price	Date first exercisable	Expiry date
<b>Executive Directors</b>									
I Manocha <sup>(1) (2)</sup>	1,500,000	—	—	—	<b>1,500,000</b>	01.06.15	111p	01.06.18	01.06.25
T Mullan <sup>(2)</sup>	200,000	—	—	—	<b>200,000</b>	14.03.18	227p	14.03.21	14.03.28
T Mullan <sup>(2)</sup>	100,000	—	—	—	<b>100,000</b>	28.03.19	97p	28.03.22	28.03.29
	1,800,000	—	—	—	<b>1,800,000</b>				

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

(2) Vested.

#### Directors' shareholding and share interests

Beneficial interests of Directors, their families and trusts in ordinary shares of the Company at 31 December 2022 were:

	No. of shares owned outright (inc. connected persons)	Unvested LTIP awards	Unvested PSP awards	Vested share option awards (subject to exercise)	Shareholding as a % of salary as at 31 Dec 2022 <sup>(1)</sup>	Shareholding as a % of salary as at 31 Dec 2021 <sup>(2)</sup>
I Manocha	136,052	329,417	203,000	1,500,000	88%	72%
T Mullan	48,238	205,856	75,000	300,000	51%	35%
P Simmonds	92,500	—	—	—	N/A	N/A
A Balchin	17,608	—	—	—	N/A	N/A
J Knott	31,250	—	—	—	N/A	N/A
R Wandhöfer	19,653	—	—	—	N/A	N/A

#### Payments for loss of office (audited information)

No payments for loss of office were made during the year ended 31 December 2022 (2021: £nil).

## Percentage change in Directors' remuneration

The following table shows the percentage change in each Executive and Non-Executive Directors' remuneration compared with the average change for all employees of the Company for the year ended 31 December 2022. The prior year change is also shown and this will build up over time to cover a rolling five-year period.

	Salary/Fee		Pension and other benefits		Annual bonus	
	2022	2021	2022	2021	2022	2021
I Manocha	+1%	+2%	-4%	-1%	+16%	+21%
T Mullan	+1%	+2%	+3%	+4%	+13%	+22%
P Simmonds <sup>2</sup>	0%	N/A	N/A	N/A	N/A	N/A
A Balchin	0%	+9%	N/A	N/A	N/A	N/A
J Knott <sup>2</sup>	0%	N/A	N/A	N/A	N/A	N/A
R Wandhöfer <sup>2</sup>	0%	N/A	N/A	N/A	N/A	N/A
All employees <sup>1</sup>	+5%	+2%	+3%	+6%	+9%	+22%

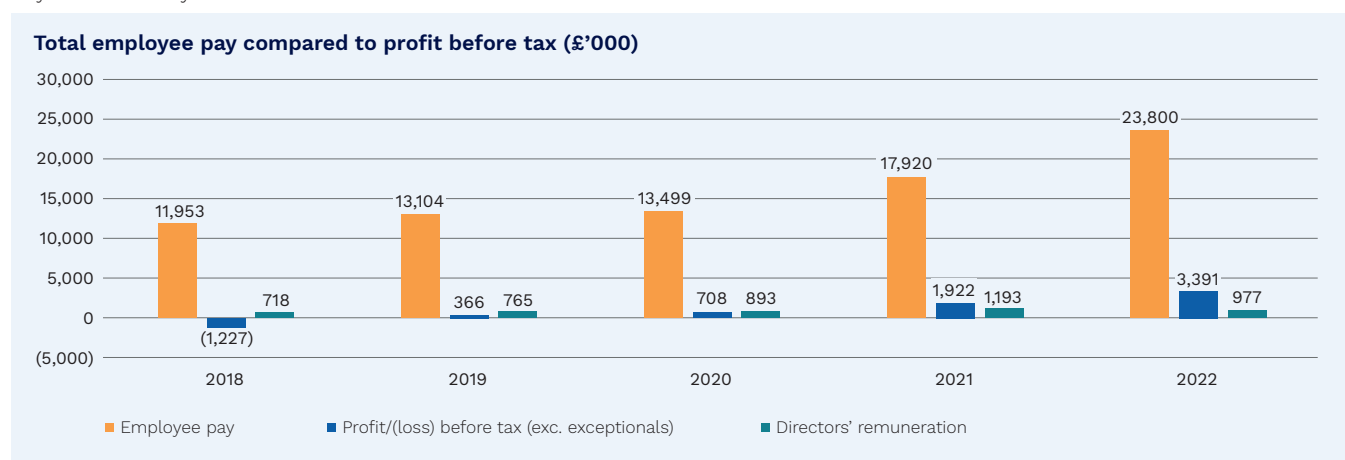
(1) The comparative is all staff (around 220 people) because this group is considered to be the most relevant, due to the structure of total remuneration.

(2) J Knott, P Simmonds and R Wandhofer appointed in 2020.

The CEO to employee pay ratio disclosures have not been provided as the Group has fewer than 250 UK employees.

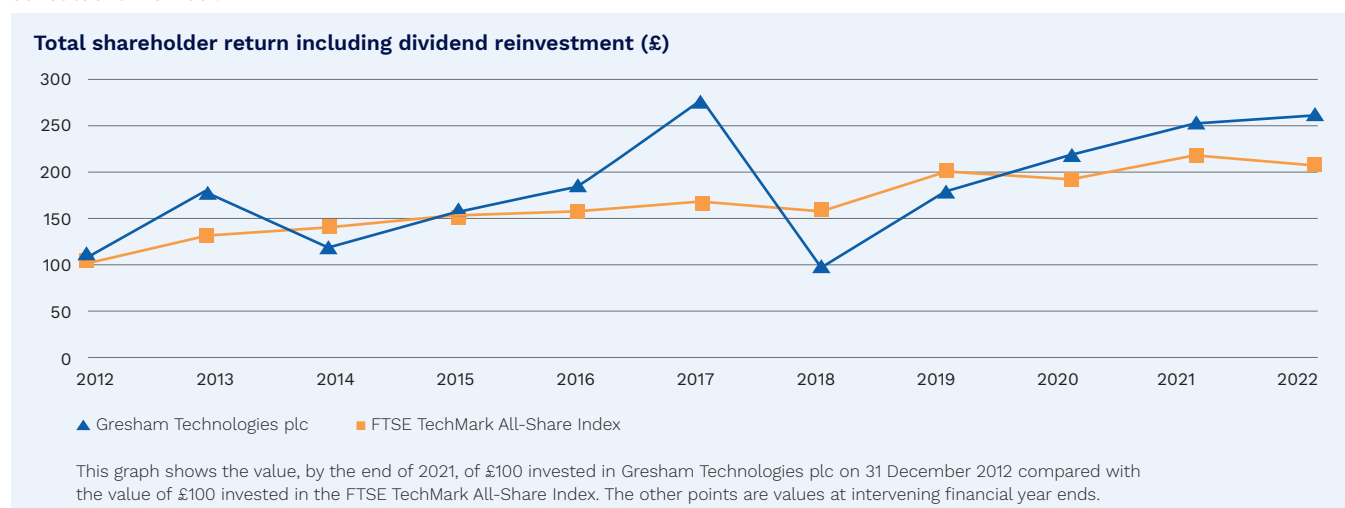
## Relative importance of spend on pay

The chart below shows the total Directors remuneration compared to total employee pay cost and profit before tax (for continuing operations and before exceptional items but including distributions) for the five years ended 31 December 2022. There were no share buy backs in the year.



## Comparison of Company performance

The graph below shows the Company's performance, as measured by total shareholder return, for each of the last six financial years in terms of the change in value (with dividends reinvested) of an initial investment of £100 on 31 December 2012 in a holding of the Company's shares against the corresponding total shareholder return in a hypothetical holding of shares in the FTSE TechMark All-Share Index. The FTSE TechMark All-Share Index was selected as it represents a broad equity market index in which the Company is a constituent member.





# Remuneration Report continued

## Annual Report on Remuneration continued

### CEO remuneration history

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>CEO</b>										
Bonus (% of maximum)	0%	0%	0%	0%	8%	0%	22.5%	41.5%	49.7%	<b>57%</b>
Pension	7,500	7,500	10,417	12,500	12,765	12,980	33,056	13,350	13,574	<b>13,691</b>
LTIs (% of maximum)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>100%</b>
PSP (% of maximum)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>n/a</b>
Total	£158,665	£158,834	£255,728	£399,924	£508,889	£349,446	£356,330	£420,377	£617,048	<b>£620,553</b>

### Service contracts

The table below summarises key details in respect of each Executive Director's contract.

	Contract date	Company notice period	Executive notice period
I Manocha	15 February 2015	12 months	12 months
T Mullan	5 February 2018	6 months	6 months

The date of each Non-Executive appointment is set out below, together with the date of their last re-election by shareholders.

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

	Date of initial appointment	Date of last re-election
P Simmonds	1 Aug 2020	10 May 2022
J Knott	12 Oct 2020	10 May 2022
R Wandhöfer	12 Oct 2020	10 May 2022
A Balchin	15 May 2017	10 May 2022

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

### Shareholder voting on remuneration resolutions

At the last AGM, held on 10 May 2022, the following resolution was approved by shareholders:

Resolution	For <sup>(1)</sup>	Against	Withheld
Remuneration Report	45,698,087 76.28%	14,207,636 23.72%	—

(1) Includes votes giving the Chair discretion.

In line with the Code requirement to consult with shareholders on any vote passing with less than 80% majority, the Committee undertook consultations with major shareholders during the year in order to ascertain the reasons behind the results of the vote on the Remuneration Report.

Shareholders representing in excess of 70% of the voting capital of the Company were invited to participate, with a very high shareholder engagement rate (c.60% of voting share capital). Based on their feedback, the Committee ascertained that a small number of shareholders did not support the resolution as they do not consider that the payment of transaction-related bonuses is appropriate as they represent a departure from UK remuneration best practice; they also stated that they would not support a further resolution involving the payment of transaction-related bonuses. By contrast, the majority of shareholder respondents did not object to these bonuses in 2021; and, furthermore, they confirmed that they did not intend to object to the proposal to pay the second, smaller part of the bonus during 2022 in relation to integration-related objectives.

Having completed the consultation, the Committee is confident that it has a clear understanding of the reasons behind the result and has reached certain conclusions; which have been outlined in its published statement on remuneration consultation available at [greshamtech.com/shareholder-documents](https://www.greshamtech.com/shareholder-documents).

The Directors' Remuneration Policy was last approved by shareholders at a General Meeting held on 30 December 2020. Shareholder voting on this resolution was as follows:

Resolution	For <sup>(1)</sup>	Against	Withheld
Directors' Remuneration Policy	33,487,558 93.19%	2,445,354 6.81%	3,000

(1) Includes votes giving the Chair discretion.

### Jenny Knott

CHAIR OF THE REMUNERATION COMMITTEE

13 March 2023

# Directors' Report

Registered number 01072032

The Directors present their report and the Group financial statements for the year ended 31 December 2022.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out within the Strategic Report. Disclosures in respect of principal risks and uncertainties, people (including employees and disabled employees), global greenhouse gas emissions and product development (incorporating research and development activities) are included within the Strategic Report under section 414(c) of the Companies Act 2006. In addition, note 21 to the financial statements includes: the Group's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and, if any, hedging activities; and its exposures to credit risk and liquidity risk. The Corporate Governance Report beginning on page 46 forms part of the Directors' Report.

## Directors and officers

The Directors who served on the Board during the year are set out on pages 44 and 45. Mr J Cathie served as Company Secretary throughout the year.

## Results and dividends

The Group's profit for the year, after taxation, attributable to equity shareholders amounted to £2,882,000 (2021: loss of £1,012,000). A final dividend of 0.75 pence per ordinary share (2021: 0.75 pence) has been recommended by the Directors. There has been no interim dividend (2021: £nil).

If approved by the passing of a resolution at the forthcoming Annual General Meeting, it is intended to pay the final dividend on 26 May 2023 to all shareholders on the register at close of business on 28 April 2023. The ex-dividend date will be 27 April 2023.

The profit for the year has been transferred to reserves.

## Going concern and viability statement

The Group has sufficient financial resources together with good relationships with a number of customers and suppliers across different geographic areas and industries. The Group has access to a strong underlying cashflow arising from long-established recurring revenue businesses with blue-chip customers and strong growth prospects being realised with its flagship Clareti solutions.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the Annual Financial Report 2022.

Refer to page 48 for the viability statement required pursuant to Provision C2.2 of the Code.

## Post-balance sheet events

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

## Significant relationships

In 2022, the Group had one customer relationship considered to be individually significant to the Group. This relates to APAC operations and generates a mix of revenues from Clareti Solutions and Other Solutions, including strategic non-recurring revenues. Revenues from this customer relationship individually exceeded 10% of the Group's revenue in 2022. In the opinion of the Directors, the Group does not have any other individually significant relationships.

## Fostering relationships with stakeholders

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

## Directors and their interests

The Directors at 31 December 2022 and their connected persons' interests in the share capital of the Company (all beneficially held, other than with respect to options to acquire ordinary shares which are detailed in the analysis of options included in the Directors' Remuneration Report) are as follows:

	Ordinary shares of 5 pence each	
	31 Dec 2022	1 Jan 2022
P Simmonds	92,500	92,500
A Balchin	17,608	17,608
J Knott	31,250	31,250
R Wandhöfer	19,653	19,653
I Manocha	136,052	113,034
T Mullan	48,238	34,063

There have been no further changes in the Directors' interests disclosed above from 31 December 2022 to 13 March 2023.

## Directors' liabilities

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report. Directors' and officers' liability insurance with an indemnity limit of £10m has been purchased in order to minimise the potential impact of proceedings against Directors.

## Major interests in shares

The Company has been notified, either directly or in response to a section 793 request made on its behalf, of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 24 February 2023:

	Ordinary shares of 5 pence each	Percentage held (%)
Kestrel Investment Partners	18,951,178	22.71
Canaccord Genuity Wealth Mgmt	7,561,113	9.06
Schroder Investment Management	7,083,000	8.49
Amati Global Investors	5,789,500	6.94
JO Hambro Capital Management	4,475,000	5.36
Tellworth Investments	4,257,425	5.10
BlackRock Investment Management	4,050,000	4.85
Herald Investment Management	3,471,274	4.16
Mrs M A Green	3,073,290	3.68
Jupiter Asset Management	2,928,133	3.51

## Political donations

No donations were made in 2022 or 2021.

## Social and community

No social or community review has been performed for 2022 or 2021.



## Directors' report continued

Registered number 01072032

### Special business at the Annual General Meeting

The special business to be conducted at the AGM includes:

- the Directors' authority to allot shares and the partial disapplication of pre-emption rights. Resolutions will be proposed to renew the authorities given to the Directors to allot and grant rights over the unissued share capital up to one-third of the issued ordinary share capital (and, in the case of an allotment of shares made pursuant to a rights issue (pre-emptive offer), up to two-thirds of the issued ordinary share capital), and to allot and grant rights over shares for cash up to 10% of the issued ordinary share capital, without first making a pro rata offer to all existing shareholders (plus up to an additional 10% where the share issue is proposed in connection with an acquisition or capital investment);
- the renewal of the authority of the Company to make market purchases of its own ordinary shares. The Company's authority will be limited to 10% of the issued ordinary share capital of the Company; and
- the authority to call meetings (other than Annual General Meetings) on not less than 14 clear days' notice.

In the opinion of the Directors, the passing of these resolutions is in the best interests of the shareholders.

### Additional information for shareholders

At 31 December 2022, the Company's issued share capital comprised:

	Number	Nominal value £	% of total share capital
Ordinary shares of 5 pence each	83,449,458	4,172,472	100%

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and for voting rights.

During the year ended 31 December 2022, certain share options granted under the Share Option Scheme 2010 were exercised and as a result the Company issued 85,000 ordinary shares (2021: 83,000), such shares ranking pari passu with ordinary shares then in issue. There were no other issues of shares during the year ended 31 December 2022 (2021: 13,125,000 in connection with the acquisition of Electra).

See note 22 of the Group financial statements for further details.

### Ordinary shares

On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held; on a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and entitled to vote shall have one vote. The notice of the general meeting specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Group's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods).

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders. Directors are reappointed by ordinary resolution at a general meeting of the shareholders. The Board may appoint a Director but anyone so appointed must be elected by an ordinary resolution at the next Annual General Meeting. Any Director who has held office for more than three years since their last appointment by shareholders at a general meeting must offer themselves up for re-election at the following Annual General Meeting.

### Significant interests

Directors' interests in the share capital of the Company are shown in the table on page 67. Major interests (being those greater than 3%) of which the Company has been notified are shown on page 67.

### Change of control

In the event of a change of control of the Company, employee share options granted under the Share Option Scheme 2010, the Deferred Share Bonus Plan 2017 and the Performance Share Plan 2020 will either accelerate vesting, will be rolled over to the acquiring company's shares or will lapse, depending on the circumstances of the change. Further details are provided in note 23 to the Group financial statements.

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

### Power of Directors to issue or buy back shares

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

## Information to be included in the Annual Financial Report 2022

As part of our requirements under the FCA Listing Rules ("LR"), the information required to be disclosed by LR 9.8.4 R can be found in the following locations in this Annual Financial Report 2022:

LR 9.8.4 R	Topic	Location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Not applicable
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Page 111
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Page 67
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

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

### Auditor

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

### Directors' statement as to disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 44 and 45. Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditor in connection with preparing its report) of which the Group's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

By order of the Board

**Jonathan Cathie**

COMPANY SECRETARY

13 March 2023



## Statement of Directors' responsibilities

### Directors' responsibilities

The Directors are responsible for preparing the Annual Financial Report 2022 in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards as issued by the International Accounting Standards Board ("IASB") and have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 100 "Application of Financial Reporting Requirements" and Financial Reporting Standard 101 "Reduced Disclosure Framework" and applicable law. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare a Strategic Report, Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the International Accounting Standards ("IAS") Regulation. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Annual Financial Report 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy.

### Website publication

The Directors are responsible for ensuring the Annual Financial Report 2022 is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements; which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Directors' responsibilities pursuant to DTR 4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with IFRS as issued by IASB and Article 4 of the IAS Regulation, and give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Group; and
- the Annual Financial Report 2022 includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board.

**Ian Manocha**  
CHIEF EXECUTIVE  
13 March 2023

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

## Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gresham Technologies Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflow, notes to the Consolidated financial statements, the Company Balance Sheet, the Company Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

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

## Independence

Following the recommendation of the audit committee, we were reappointed by the Directors on 09 October 2010 to audit the financial statements for the year ended 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement including tenders and reappointments is 13 years, covering the years ended 31 December 2010 to 31 December 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

## Conclusions relating to going concern

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

- Assessing the Directors' method including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other. This included assessing forecast revenue against actual results post year end and the sales pipeline. We also assessed the accuracy of previous forecasts by comparing to actual results for the current year.
- Reviewing the Directors' plans for future actions within their going concern assessment including whether such plans are feasible in the circumstances.
- Assessing the appropriateness of the Directors' stress-testing of the forecasts to the extent of reasonable worst-case scenarios comparing to our own sensitivity analysis performed also considering the likelihood of these scenarios occurring.
- Reviewing the adequacy and appropriateness of disclosures in the financial statements relative to the going concern statement.

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

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

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

## Overview

<b>Coverage</b>	100% (2021: 100%) of Group revenue 100% (2021: 100%) of Group total assets	
<b>Key audit matters</b>	2022	2021
Development costs	✓	✓
Goodwill and intangible asset impairment	✓	✓
Revenue recognition	✓	✓
Acquisition of Electra Information Systems Inc*	X	✓
* The Acquisition of Electra Information Systems Inc was a one off event occurring in the prior year and therefore no longer represents a key audit matter		
<b>Materiality</b>	Group financial statements as a whole £365,000 (2021: £277,000) based on 0.75% (2021: 0.75%) of revenue.	





# Independent auditor's report continued

## An overview of the scope of our audit

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

The Group engagement team performed full scope audits of the significant components in the UK and the Americas, comprising 57% of the Group revenue and 85% of Group total assets. The full scope audit of the Asia Pacific region significant component, comprising of 43% of Group revenue and 15% of Group total assets, was performed by a BDO member firm in Australia.

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

## Our involvement with component auditors

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

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

## Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Development costs</b></p> <p>Refer to the accounting policies on page 84, and significant estimates and judgements on page 82.</p> <p>During the year, development costs of £5,195,000 (2021: £4,105,000) have been capitalised.</p> <p>Development costs are recognised as an intangible asset if specific capitalisation criteria as set out in the applicable accounting standards have been met. Judgement is required in determining whether the capitalisation criteria has been met and the allocation of the development costs to particular Clareti Control and Clareti Connect products.</p> <p>There is also a risk that development costs may be maintenance by nature or supersede costs previously capitalised.</p> <p>Due to the level of judgement, there is considered to be an inherent risk of management override of controls.</p> <p>For these reasons we considered development costs to be a key audit matter.</p>	<p>We evaluated the Group's accounting policy in this area to ensure their recognition and measurement principles were in accordance with the applicable accounting standards.</p> <p>We agreed a sample of capitalised costs to underlying supporting documentation. This included obtaining time records to corroborate the allocation of cost between products and inspecting employee contracts to check that their stated job roles support their involvement in development activities. We also recalculated the on-costs and overheads capitalised with reference to source data and checked that the five criteria for capitalisation, as required by the applicable accounting standard, had been met and that the costs were not maintenance by nature.</p> <p>The testing included gaining an understanding of the projects from the development team, as well as obtaining evidence of future economic benefits such as customer contracts and pipeline opportunities. We assessed assumptions such as the level of non-productive time inherent in the development of each product based on factors including the product's stage of maturity.</p> <p>Furthermore, we specifically reviewed the nature of costs capitalised as enhancements to software available for sale; checked that the enhancements did not supersede existing development costs; and determined whether such enhancements met each of the five criteria for capitalisation under the applicable accounting standard. This included discussions with the Group's software developers and sales team to understand the roadmap for software products to which the development costs relate, and specifically where enhancements were made to existing products.</p> <p><b>Key observations:</b></p> <p>Based on the audit work performed we consider that development costs have been capitalised appropriately in accordance with the applicable accounting standard.</p>



**Key audit matter****Goodwill and intangible asset impairment**

As detailed in the accounting policies on page 84, and significant estimates and judgements on page 83 and as detailed in Note 2 and 15.

The carrying value of intangible assets of £62,788,000 (2021: £62,267,000) is significant to the Group.

Goodwill, capitalised development costs and other intangible assets are tested for impairment at least annually through comparing the recoverable amount of the cash-generating unit, based on a value-in-use calculation, to the carrying value.

Furthermore, once available for use, capitalised development costs are tested for impairment where an indicator of impairment arises.

The impairment assessments require significant estimates relating to forecasted growth of annual recurring revenues and associated margins. Management has to apply judgement to determine if these assets are impaired; hence there is an opportunity for management bias within the impairment model assumptions and impairment indicators for particular intangible assets not being identified.

For these reasons we considered goodwill and intangible impairment to be a key audit matter.

**How the scope of our audit addressed the key audit matter**

We performed a review of the Group's goodwill, development costs and other intangible assets and examined for indicators of impairment.

We assessed the impairment reviews prepared by management, specifically the integrity of management's value-in-use model and, with the assistance of our internal valuation experts, we challenged the key inputs and assumptions, including forecast growth rates, operating cash flows and the discount rate.

Our procedures for the review of operating cash flows and forecast growth rates included comparing the forecast to recent financial performance and budgets approved by the Board. We also ensured the forecasts were consistent with those used in the Group's going concern assumptions. We used market data to independently calculate a discount rate and compared to that used by management.

We also performed a sensitivity analysis on the key valuation inputs and evaluated the relevant disclosures of management's source of estimation uncertainty.

**Key observations:**

Based on the procedures performed, we are satisfied that the intangible assets are appropriately recognised in the financial statements and that appropriate disclosure has been made regarding the estimation uncertainty in determining its recoverable amount.

**Revenue recognition**

As detailed in the accounting policies on page 87.

The Group earns revenue from the sale of software licenses, rendering of services, subscriptions and maintenance and solution sales.

Management exercises judgement in the unbundling of multi-element solution sales, with reference to the estimated standalone selling prices of the deemed performance obligations, both of which determine the recognition of revenue and therefore presents a revenue recognition existence risk.

In line with the requirements of applicable accounting standards management continue to exercise judgement in determining whether performance obligations of solution sales, such as software licences and support and maintenance contracts, are considered distinct; the level of consideration to be allocated to the performance obligations based on standalone selling prices; and whether the revenue in respect of the performance obligations is recognised at a point in time or overtime.

Revenue and profit recognition is considered a significant risk due to the manual adjustments required in order to appropriately recognise the distinct performance obligations within revenue contracts, which can involve management judgement.

For these reasons we considered revenue recognition to be a key audit matter.

We reviewed the revenue recognition principles applied to significant new contracts written and performed during the year and ensured that the revenue recognition policies were in accordance with the applicable accounting standards and the Group's accounting policy.

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

For the licence revenue element of new contracts executed in close proximity to the year end, we obtained evidence that the software had been delivered to the customer prior to the end of the financial year with the licence fee being recognised up front on installation. For the licence element we agreed a sample of sales and, where relevant, underlying time costs to supporting contracts and other documentation, including user acceptance evidence, statements of works and time records.

**Key observations:**

Based on the work performed, we consider that revenue has been recognised appropriately and in accordance with the applicable accounting standard.

## Independent auditor's report 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. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent Company financial statements	
	2022 £m	2021 £m	2022 £m	2021 £m
<b>Materiality</b>	365	277	160	150
<b>Basis for determining materiality</b>	0.75% of revenue		44% of Group materiality 56% of Group materiality	
<b>Rationale for the benchmark applied</b>	As a growing technology business we consider revenue to be the key performance measure in driving the valuation of the Group and informing the economic decisions of the users of the financial statements. This is particularly in light of lower levels of profitability in the current environment and revenues being an increasing basis of business valuation in the sector.		Capped at 44% (2021: 56%) of Group materiality given the assessment of the components aggregation risk.	
<b>Performance materiality</b>	237	180	104	97.5
<b>Basis for determining performance materiality</b>	On the basis of our risk assessment, together with our assessment of the Group and Parent Company's control environment and a history of minimal errors, our judgement is that performance materiality for the financial statements should be 65%. (2021: 65%)			

### Component materiality

We set materiality for each component of the Group based on a percentage of between 37% (2021: 46%) and 75% (2021: 75%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £135,000 (2021: £83,100), to £274,000 (2021: £207,750). In the audit of each component, we further applied performance materiality levels of 65% (2021: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £7,300 (2021: £5,540). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual financial report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Corporate governance statement

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

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

### Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 67; and
- The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 67.

### Other Code provisions

- Directors' statement on fair, balanced and understandable as set out on page 70;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 38;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 52; and
- The section describing the work of the audit committee as set out on page 50.

## Other Companies Act 2006 reporting

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

### Strategic report and Directors' report

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

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

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

### Directors' remuneration

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

### Matters on which we are required to report by exception

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

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

## Independent auditor's report continued

### Responsibilities of Directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

As a result of performing the above we identified the principal risks were related to bias in accounting estimates, with the most significant considered to relate to revenue recognition and capitalisation of development costs. The Group audit engagement team shared this risk assessment with the component auditors to ensure that appropriate audit procedures were applied in response to these risks. Our procedures included:

- discussions with Management and the Audit Committee regarding known or suspected instances of non-compliance with laws and regulations;
- ensuring all audit team and component team members were cognizant of relevant laws and regulations through engagement discussions and the issuing of specific audit instructions;
- obtaining and understanding of controls designed to prevent and detect irregularities;
- review of board minutes for any evidence of fraud or non-compliance with laws and regulations;

- evaluation of management incentives and opportunities for fraudulent manipulation of the financial statements including management override with a particular focus on judgements and estimates inherent in the key audit matters and exercising professional scepticism in considering the impact of those estimates and judgements on the reported results and key performance measures such as annually recurring revenues and cash EBITDA;
- the evaluation also involved gaining an understanding of Management remuneration schemes and the extent to which remuneration is influenced by reported results;
- testing journal entries made to accounts that are considered to carry a greater risk of fraud as part of our planned audit approach by agreeing to supporting documentation; and
- incorporating unpredictability into the nature, timing and/or extent of our testing by specifically performing audit procedures on bank transactions within dormant entities within the Group.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

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

**Malcolm Thixton (Senior Statutory Auditor)**  
FOR AND ON BEHALF OF BDO LLP, STATUTORY AUDITOR  
SOUTHAMPTON  
UNITED KINGDOM  
13 March 2023

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

## Consolidated income statement

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue	4,5	48,719	37,026
Cost of sales		(14,774)	(11,799)
Gross profit		33,945	25,227
Adjusted administrative expenses		(26,999)	(21,146)
Adjusted operating profit		6,946	4,081
Adjusting administrative items:			
Exceptional costs	5	(153)	(1,821)
Exceptional income	5	—	330
Amortisation of acquired intangibles	14	(2,315)	(1,673)
Share-based payments	23	(1,027)	(369)
		(3,495)	(3,533)
Total administrative expenses		(30,494)	(24,679)
Operating profit	5,6	3,451	548
Finance revenue	9	6	4
Finance costs	9	(219)	(121)
Profit before taxation		3,238	431
Taxation	10	(356)	(1,443)
Profit/(loss) after taxation attributable to the equity holders of the Parent		2,882	(1,012)
<b>Earnings per share</b>			
<b>Statutory</b>		<b>pence</b>	<b>pence</b>
Basic earnings per share	11	3.46	(1.31)
Diluted earnings per share	11	3.41	(1.31)
<b>Adjusted</b>			
Basic earnings per share	11	7.65	5.08
Diluted earnings per share	11	7.54	5.02



## Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit/(loss) after taxation attributable to the equity holders of the Parent		<b>2,882</b>	(1,012)
<b>Other comprehensive expenses</b>			
Items that will or may be re-classified into profit or loss:			
Exchange differences on translating foreign operations	24	<b>(937)</b>	(184)
Total other comprehensive expenses		<b>(937)</b>	(184)
Total comprehensive income/(expenses) for the year		<b>1,945</b>	(1,196)

# Consolidated statement of financial position

	Notes	At 31 December 2022 £'000	At 31 December 2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	899	218
Right-of-use assets	16	1,592	1,466
Intangible assets	14	62,788	62,267
Deferred tax assets	10	—	232
		<b>65,279</b>	64,183
<b>Current assets</b>			
Trade and other receivables	18	6,515	5,403
Contract assets	18	2,558	1,665
Income tax receivable	18	—	1,204
Cash and cash equivalents	19	6,280	9,139
		<b>15,353</b>	17,411
<b>Total assets</b>		<b>80,632</b>	81,594
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Parent</b>			
Called up equity share capital	22	4,172	4,168
Share premium account	24	23,941	23,876
Own share reserve	22	(296)	(609)
Other reserves	24	536	536
Foreign currency translation reserve	24	(1,315)	(378)
Retained earnings	24	21,968	18,288
<b>Total equity attributable to owners of the Parent</b>		<b>49,006</b>	45,881
<b>Non-current liabilities</b>			
Contract liabilities	20	354	60
Lease liabilities	16	953	770
Deferred tax liability	10	6,067	6,831
Provisions	20	146	144
Contingent consideration	20	—	3,575
		<b>7,520</b>	11,380
<b>Current liabilities</b>			
Trade and other payables	20	19,166	19,616
Lease liabilities	16	709	642
Income tax payable	20	244	131
Contingent consideration	20	3,987	3,944
		<b>24,106</b>	24,333
<b>Total liabilities</b>		<b>31,626</b>	35,713
<b>Total equity and liabilities</b>		<b>80,632</b>	81,594

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2023.

On behalf of the Board.

**Ian Manocha**  
CHIEF EXECUTIVE  
13 March 2023

**Tom Mullan**  
CHIEF FINANCIAL OFFICER  
13 March 2023





## Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium account £'000	Own share reserve £'000	Other reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2021		3,508	4,341	(778)	536	(194)	19,453	26,866
Attributable loss for the period		—	—	—	—	—	(1,012)	(1,012)
Other comprehensive expenses		—	—	—	—	(184)	—	(184)
Total comprehensive (expenses)/income		—	—	—	—	(184)	(1,012)	(1,196)
Issue of equity shares	22	656	20,344	—	—	—	—	21,000
Share issue costs	22	—	(870)	—	—	—	—	(870)
Exercise of share options	22	4	61	—	—	—	—	65
Transfer of own shares held by Employee Share Ownership Trust to employees	22	—	—	169	—	—	—	169
Share-based payments	23	—	—	—	—	—	369	369
Dividend paid		—	—	—	—	—	(522)	(522)
At 31 December 2021		4,168	23,876	(609)	536	(378)	18,288	45,881
Attributable profit for the period		—	—	—	—	—	2,882	2,882
Other comprehensive expenses		—	—	—	—	(937)	—	(937)
Total comprehensive (expenses)/income		—	—	—	—	(937)	2,882	1,945
Exercise of share options	22	4	65	—	—	—	—	69
Transfer of own shares held by Employee Share Ownership Trust to employees	22	—	—	313	—	—	92	405
Deferred tax movement in respect of share options	10	—	—	—	—	—	301	301
Share-based payments	23	—	—	—	—	—	1,027	1,027
Dividend paid	12	—	—	—	—	—	(622)	(622)
<b>At 31 December 2022</b>		<b>4,172</b>	<b>23,941</b>	<b>(296)</b>	<b>536</b>	<b>(1,315)</b>	<b>21,968</b>	<b>49,006</b>

## Consolidated statement of cash flow

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) after taxation		<b>2,882</b>	(1,012)
Depreciation of property, plant and equipment	13	<b>191</b>	175
Amortisation of intangible assets	14	<b>4,723</b>	4,042
Amortisation of right-of-use assets	16	<b>714</b>	581
Share-based payments	23	<b>1,027</b>	369
Increase in trade and other receivables		<b>(886)</b>	(776)
Increase in contract assets		<b>(775)</b>	(220)
Increase in trade and other payables		<b>1,560</b>	1,996
(Decrease)/Increase in contract liabilities		<b>(199)</b>	256
Decrease in sales tax provision arising on acquisition		<b>(496)</b>	—
Taxation	10	<b>356</b>	1,443
Exchange gain on financial instrument	5	<b>—</b>	(330)
Net finance costs	9	<b>213</b>	117
Cash inflow from operations		<b>9,310</b>	6,641
Income taxes received		<b>2,473</b>	—
Income taxes paid		<b>(1,893)</b>	(1,114)
Net cash inflow from operating activities		<b>9,890</b>	5,527
<b>Cash flows from investing activities</b>			
Interest received	9	<b>6</b>	4
Exchange gain on financial instrument	5	<b>—</b>	330
Purchase of property, plant and equipment	13	<b>(806)</b>	(145)
Payments to acquire subsidiary undertaking (net of cash)		<b>—</b>	(19,639)
Payment of contingent consideration on acquisition of Inforalgo	20	<b>(369)</b>	(923)
Payment of contingent consideration on acquisition of Electra	20	<b>(3,987)</b>	—
Payments to acquire intangible fixed assets	14	<b>(5,195)</b>	(4,150)
Net cash used in investing activities		<b>(10,351)</b>	(24,523)
<b>Cash flows from financing activities</b>			
Interest paid	9	<b>(138)</b>	(39)
Principal paid on lease liabilities	16	<b>(645)</b>	(590)
Dividends paid	12	<b>(622)</b>	(522)
Share issue proceeds (net of costs)	22	<b>69</b>	20,195
Net cash (used in)/from financing activities		<b>(1,336)</b>	19,044
Net (decrease)/increase in cash and cash equivalents		<b>(1,797)</b>	48
Cash and cash equivalents at beginning of year		<b>9,139</b>	8,876
Effect of foreign exchange rate changes		<b>(1,062)</b>	215
<b>Cash and cash equivalents at end of year</b>	19	<b>6,280</b>	9,139



## Notes to the financial statements

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

Gresham Technologies plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded as a premium listing on the London Stock Exchange.

The financial statements of Gresham Technologies plc and its subsidiaries ("the Group") for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 13 March 2023, and the Consolidated Statement of Financial Position was signed on the Board's behalf by Mr I Manocha and Mr T Mullan.

The Group's financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS") as they apply to the financial statements of the Group for the year ended 31 December 2022.

### 2. Accounting judgements and estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. We review our estimates and underlying assumptions on an ongoing basis and recognise revisions to accounting estimates in the period in which we revise the estimate and in any future periods affected. It is considered that all judgements have an element of estimation.

#### Judgements

The key judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Revenue and profit recognition

Revenue and the associated profit are recognised from sale of software licences, rendering of services, subscriptions and maintenance and solution sales. When software licences are sold, we must exercise judgement as to when the appropriate point in time has passed at which all performance obligations for that software licence have been performed, at which point revenue in relation to the stand-alone sales price of the software licence is recognised. Whilst in most cases performance obligations clearly follow the commercial and contractual arrangement we have agreed with the customer, in some cases the revenue streams are combined as within an overall commercial arrangement. Such combined circumstances require judgement to assess performance obligations associated with each revenue stream and further judgement as to when and how such performance obligations have been discharged in order to recognise the associated revenue. The determination of the distinct performance obligations of multi-element solution sales, represents a risk of incorrect revenue recognition.

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

In considering the distinct performance obligations of multi-element solutions, instances may arise whereby the substance of the performance obligations differs from the legal form of the contract. In such circumstances, judgement is required to

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

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

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

Judgement is exercised in setting the stand-alone selling prices of distinct performance element of each individual contract. It was concluded that the annual stand-alone sales price of standard support and maintenance offerings will be equal to 20% of the five-year software licence fee, or of the total combined five-year licence, support and maintenance fees, the stand-alone sales price of the licence will be 50% and the support and maintenance 50%. This ratio is aligned to the proportion of development costs capitalised in proportion to our annual support and maintenance costs and is consistent with previous years.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Contingent consideration

Contingent consideration relating to acquisitions is measured at fair value based on discounted cashflows, with consideration payable based on performance targets. Management have assessed the probability that these targets will be met.

Contingent consideration included within the financial statements is £3,987,000 (2021: £7,519,000). If revenue is 5% lower than the agreed targets, the contingent consideration payable will be reduced by £1,595,00. Further details are disclosed in note 20 to the financial statements.

#### Capitalised development costs

The Group invests in the development of new and enhanced features to its products. Development costs are accounted for in accordance with IAS 38 "Intangible Assets" and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset.

Determining whether development costs qualify for capitalisation as intangible assets requires judgement as to the technical and commercial viability of each asset created. These judgements are applied consistently year to year with the Group evaluating whether there are future economic benefits beyond the current period, the stage at which technical feasibility has been achieved, management's intention to use or sell the product, the likelihood of success of completion, the availability of technical resources to complete the development and the ability to measure reliably the expenditure attributed to each product.

## 2. Accounting judgements and estimation uncertainty continued

### Capitalised development costs continued

The net carrying amount of development costs at 31 December is £23,556,000 (2021: £20,694,000).

The capitalised development cost is disclosed in note 14.

### Impairment reviews

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

The intangible asset impairment reviews are disclosed in note 15.

Sensitivity analysis has been performed on the key assumptions for discount rate, growth rate and revenue growth rates to determine when impairment would occur these are disclosed in note 15.

### Useful economic life of capitalised development costs

The assessment of the useful economic life of capitalised development costs is estimated by management based on past experience and reviews of competitor products available in the market.

Estimates are made to the applicable useful economic life of each asset created. The amortisation charge for the year ended 31 December 2022 was £2,360,000 (2021: £2,326,000). The impact of reducing the useful economic life by one year would increase the amortisation charge for the year by £178,000, if the useful economic life was increased by one year the amortisation charge is reduced by £270,000.

## 3. Accounting policies

### Basis of preparation

The Group's financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards and international accounting standards as issued by the International Accounting Standards Board ("IASB") and Interpretations (collectively "IFRS"). The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

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

- contingent consideration

The Group financial statements are presented in Sterling, which is also the Group's functional currency. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

### Basis of consolidation

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

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the reporting date. Investees are classified as subsidiaries where the Company has control, which is achieved where the Company has the power to govern the financial and operating policies of

an investee entity, exposure to variable returns from the investee and the ability to use its power to affect those variable returns. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report, starting on pages 01 to 40. The financial position of the Group and the principal risks and uncertainties are also described in the Strategic Report.

The Group has sufficient financial resources together with good relationships with a number of customers and suppliers across different geographic areas and industries. The Group has access to a strong underlying cashflow arising from long-established businesses with long-standing blue-chip customers. The Group also benefits from high levels of contracted revenue providing predictability of future revenues.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the Annual Financial Report 2022.

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

## Notes to the financial statements continued

### 3. Accounting policies continued

#### Functional currency and presentation currency

Items included within the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The consolidated financial statements are prepared in sterling, which is the Group's presentation currency.

#### Foreign currency translation

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

The assets and liabilities of foreign operations are translated into Sterling at the rate of exchange ruling at the statement of financial position date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken to the Statement of Other Comprehensive Income and recognised directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

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

#### Goodwill

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

#### Intangible assets

##### Acquired intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are subject to the same recognition tests as development costs, and if met, they are capitalised.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that they may be impaired. The amortisation

period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset. The useful economic lives of separately acquired software is deemed to be ten years and the useful economic life of customer relations is between six and twelve years; the charge in the income statement is made within the amortisation for acquired intangibles.

#### Internally generated intangibles

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

The Group has capitalised development costs in respect of individual Clareti applications which have been individually assessed against the required capitalisation criteria and been individually assigned useful economic lives reflecting the maturity and availability of comparable applications in our markets. The useful economic lives are assessed to be between two and twelve years. The amortisation charge is recognised in the income statement.

Capitalised product development expenditure is stated at cost less accumulated amortisation and impairment losses. Product development costs that have been capitalised are amortised from the time the product or related enhancement becomes available for use as part of a version release issued to customers on a straight-line basis over two to twelve years depending on the useful economic life of the asset assessed. During the period of development, the asset is tested for impairment annually.

The amortisation charge is recognised in the income statement.

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

#### Other intangible assets

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

#### Research costs

Research costs are expensed as incurred.

### 3. Accounting policies continued

#### Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows:

- Fixtures and fittings – over the term of the underlying property lease; and
- Plant and equipment – over lives ranging between one and ten years to write down the assets to their residual value based on current prices for an asset of the age the plant and equipment is expected to be at the end of its useful life.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

#### Leases

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

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

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

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

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

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

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

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

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

#### Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that any non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash-inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used incorporating industry standard valuation multiples or other available fair value indicators. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.



## Notes to the financial statements continued

### 3. Accounting policies continued

#### Impairment of non-financial assets continued

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

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

#### Provisions

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

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

#### Financial assets

##### Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

#### Financial assets

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

##### Assets carried at amortised cost

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

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount

of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

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

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

#### Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for immediate use are disclosed separately within the financial statements.

#### Income taxes

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

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

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

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



### 3. Accounting policies continued

#### Income taxes continued

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

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

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

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

#### Financial liabilities

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

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

#### Other financial liabilities include the following items:

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

#### Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

#### Pensions

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

#### Dividends

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

#### Revenue recognition

Revenue, comprising sales of products and services to third parties, is recognised to the extent that satisfaction of contractual performance obligations has occurred and it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the stand-alone selling price of the performance obligation delivered, excluding discounts, rebates, VAT and other sales taxes. To note there is no material impact of variable consideration or financing components across all revenue streams.

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

#### Software licences

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

- persuasive evidence of an arrangement exists, such as a signed contract or purchase order;
- satisfaction of the contracted performance obligations has been met, which in the case of software licences typically means delivery has occurred and no future elements to be delivered are essential to the functionality of the delivered element;
- a stand-alone selling price of the performance obligation can be measured; and
- collectability is probable.

#### Provision of services

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

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

#### Support and maintenance

Revenue from support and maintenance services is recognised rateably over the period of the contract. Revenue is recognised when the provision of support and maintenance and completion of the performance obligations are carried out which is deemed to be evenly throughout the term of the contract. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

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

## Notes to the financial statements continued

### 3. Accounting policies continued

#### Data services

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

#### Solution sales

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

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

#### Interest income

Interest income is recognised as finance revenue as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

#### Share-based payments

##### Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value of awards with a market condition-based performance target is determined by an external valuer using a Monte Carlo simulation pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

Fair value of awards with a financial result-based performance target is determined by management using the Black Scholes pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

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

of financial position date is recognised in the income statement, with a corresponding entry in equity.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

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

#### Financial instruments

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

#### Employee Share Ownership Trust ("ESOT")

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

#### Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are non-recurring items of income or expense that have been shown separately due to the significance of their nature or amount.

#### Cost of sales

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

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

#### Administrative expenses

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

- Staff costs including salaries, bonuses and commissions excluding payrolled employees provided fixed margin contracting services which are within costs of sale;
- Marketing costs including travel and entertainment costs;
- Property costs excluding any costs disclosed as amortisation under IFRS 16;
- IT and communication costs;
- Professional advisory fees and general administration costs;
- Depreciation and amortisation.

### 3. Accounting policies continued

#### Changes in accounting policies

##### New standards, interpretations and amendments effective from 1 January 2022

A number of new standards, interpretations and amendments are effective for the year ended 31 December 2022, which have been listed below, these have had no material impact on the Group's accounting policies and disclosures in these financial statements.

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

##### New standards, interpretations and amendments not yet effective

At the date of approval of these Group financial statements, the Group has not applied the following new and revised Accounting standards, amendments and interpretations that have been issued by the IASB; that are not yet effective for and in some cases had not yet been updated by the UK Endorsement Board ("UKEB").

Effective 1 January 2023 – adopted by UKEB

- IFRS 17 – Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17);
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting policies;
- Amendments to IAS 8 – Definition of Accounting Estimates; and
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Effective 1 January 2024 – not yet adopted by UKEB

- Amendments to IFRS 16 – Leases on sale and leaseback; and
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current.

The above standards, amendments and interpretations are not expected to have a significant impact on the Group's financial statements. There are no new standards, and amendments to standards and interpretations which are effective for annual periods beginning after 1 January 2023 which have been adopted in these financial statements.

### 4. Revenue

Revenue disclosed in the income statement is analysed as follows:

	2022 £'000	2021 £'000
Provision of software and services	48,719	37,026
<b>Total revenue</b>	<b>48,719</b>	<b>37,026</b>

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

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data; and
- enable users to understand the relationship with the revenue segment information provided in note 5.

	Clareti Solutions £'000	Other Solutions £'000	Contracting Services £'000	Total £'000
<b>2022</b>				
Non-recurring software revenue (software licences)	154	—	—	154
Recurring software revenue (annually recurring software licences, support and maintenance and managed services)	27,384	4,343	—	31,727
Rendering of services	7,981	633	8,224	16,838
	<b>35,519</b>	<b>4,976</b>	<b>8,224</b>	<b>48,719</b>

<b>Timing of revenue recognition</b>	£'000	£'000	£'000	£'000
Non-annually recurring – at a point in time	154	—	—	154
Annually recurring – at a point in time	4,432	—	—	4,432
Rateably recognised – over contract period	30,933	4,976	8,224	44,133
	<b>35,519</b>	<b>4,976</b>	<b>8,224</b>	<b>48,719</b>



## Notes to the financial statements continued

## 4. Revenue continued

2021	Clareti Solutions £'000	Other Solutions £'000	Contracting Services £'000	Total £'000
Non-recurring software revenue (software licences)	137	73	—	210
Recurring software revenue (annually recurring software licences, support and maintenance and managed services)	18,800	4,581	—	23,381
Rendering of services	6,532	569	6,334	13,435
	25,469	5,223	6,334	37,026
Timing of revenue recognition	£'000	£'000	£'000	£'000
Non-annually recurring – at a point in time	137	73	—	210
Annually recurring – at a point in time	3,286	—	—	3,286
Rateably recognised – over contract period	22,046	5,150	6,334	33,530
	25,469	5,223	6,334	37,026

## Contract balances

	Contract assets 2022 £'000	Contract assets 2021 £'000	Contract liabilities 2022 £'000	Contract liabilities 2021 £'000
At 1 January	5,460	3,431	(12,108)	(11,096)
Amounts included in contract liabilities that were recognised as revenue during the period	—	—	12,048	11,030
Acquisitions	—	1,447	—	(756)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	1,863	582	—	—
Cash received in advance of performance and not recognised as revenue during the period	—	—	(11,364)	(11,286)
At 31 December	7,323	5,460	(11,424)	(12,108)

In the table above, contract assets relate to services performed but do not have an unconditional right to payment and trade receivables. Contract liabilities relate to subscription, support and maintenance contracts invoiced with performance obligations yet to be satisfied and arise when the Group enters into a contract which results in cumulative payments received from customers at the Statement of Financial Position date which do not necessarily equal to the amount of revenue recognised on the contracts and relate to performance obligations yet to be satisfied. These are disclosed within trade and other payables.

Amounts due to be recognised in more than one year are £354,000 (2021: £60,000). Trade receivables included in the above as at 1 January 2021 were £2,508,000.

The Group applies the IFRS 9 simplified approach to measuring credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The Group has provided for an impairment as at 31 December 2022 of £15,000 (2021: £nil). See note 18 for further details.

## 5. Segment information

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

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

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

- Clareti Solutions – supply of solutions predominantly to the finance and banking markets across Asia Pacific, EMEA and North America. Includes both software and services that can be accessed in the cloud, on-premise or deployed into hybrid environments. These primary offerings within this segment include:
  - Clareti Control products; and
  - Clareti Connect products.
- Other Solutions – supply of a range of well-established solutions to enterprise-level customers in a variety of end markets.
- Contracting Services – supply of IT contracting services to one banking customer.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

## 5. Segment information continued

2022	Notes	Other			Adjustments, central overheads and elimination £'000	Consolidated £'000
		Clareti Solutions £'000	Solutions £'000	Contracting Services £'000		
<b>Revenue</b>	4	<b>35,519</b>	<b>4,976</b>	<b>8,224</b>		<b>48,719</b>
Cost of sales		<b>(5,032)</b>	<b>(2,546)</b>	<b>(7,196)</b>		<b>(14,774)</b>
Gross profit		<b>30,487</b>	<b>2,430</b>	<b>1,028</b>		<b>33,945</b>
Gross profit %		<b>86%</b>	<b>49%</b>	<b>13%</b>		<b>70%</b>
Adjusted administrative expenses		<b>(26,898)</b>	<b>(101)</b>	<b>—</b>		<b>(26,999)</b>
Adjusted operating profit		<b>3,589</b>	<b>2,329</b>	<b>1,028</b>		<b>6,946</b>
Adjusting administrative items:						
Exceptional costs	5				<b>(153)</b>	<b>(153)</b>
Amortisation of acquired intangibles	14				<b>(2,315)</b>	<b>(2,315)</b>
Share-based payments	23				<b>(1,027)</b>	<b>(1,027)</b>
Adjusting administrative expenses					<b>(3,495)</b>	<b>(3,495)</b>
Operating profit						<b>3,451</b>
Finance revenue	9					<b>6</b>
Finance costs	9					<b>(219)</b>
Profit before taxation						<b>3,238</b>
Taxation	10					<b>(356)</b>
Profit after taxation						<b>2,882</b>
Adjusted operating profit						<b>6,946</b>
Amortisation of intangibles	14					<b>2,408</b>
Depreciation of property, plant and equipment	13					<b>191</b>
Amortisation of right-of-use assets	16					<b>714</b>
<b>Adjusted EBITDA</b>						<b>10,259</b>
Development costs capitalised	14					<b>(5,195)</b>
Principal paid on lease liabilities	16					<b>(645)</b>
<b>Cash adjusted EBITDA</b>						<b>4,419</b>
Segment assets						<b>80,632</b>
Segment liabilities						<b>(31,626)</b>



## Notes to the financial statements continued

## 5. Segment information continued

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

The Group has a customer relationship with one banking customer which is considered by the Directors to be individually significant; revenue from this relationship exceeded 10% of the Group's revenue, totalling £20,593,000 (2021: £17,618,000) which includes low margin contracting revenue of £10,229,000 (2021: £8,442,000).

## 5. Segment information continued

### Adjusting administrative items

Operating performance is analysed excluding exceptional items, share-based payment charges and amortisation from acquired intangibles which is consistent in with the way in which the Board and most stakeholders review the financial performance of the Group. These adjusting items are all either non-cash or non-recurring IFRS expenses (or income) that do not reflect the underlying performance of the business. In the case of share-based payment charges, management acknowledge that these awards are potentially paid in "lieu" of cash salary or bonuses, however the actual charge represents a non-cash expense. Adjusting for these items is also consistent with the manner in which similar small and mid cap LSE (or AIM) listed present their results and how we understand the investment community to assess performance, where, for growth shares the recurring cash performance of the business is considered most important. In addition, these adjustments are also aligned with the performance methodology used by the panel of debt providers that tendered for the revolving credit facility established during the year in order to assess and continually monitor credit worthiness, risk and upon which covenants are set.

The adjusting administrative items are:

	2022 £'000	2021 £'000
Acquisition and associated integration costs	153	1,814
Advisory fees for new share option scheme	—	7
Exceptional costs	153	1,821
Exceptional income	—	(330)
Total exceptional items	153	1,491
Amortisation on acquired intangibles	2,315	1,673
Share-based payments	1,027	369
Total adjusting administrative items	3,495	3,533

During the year the Group incurred £153,000 exceptional costs relating to legal and professional fees for the integration costs of prior year acquisitions.

During the year ended 31 December 2021 the Group incurred exceptional costs of £1,814,000 which included legal, due diligence and professional fees for the acquisition of Electra Information Systems and associated integration costs.

Exceptional legal and tax advisory costs were incurred in the year ended 31 December 2021 of £7,000 associated with implementation of a new ten-year share option incentive scheme. These costs are not expected to occur for a further ten years.

Exceptional income of £330,000 was recognised in the year ended 31 December 2021 on realising a gain on the completion of a contract to forward purchase US dollars. The contract was entered into to minimise the currency risk on the acquisition of Electra Information Systems. This income has been treated as exceptional as it is non-recurring.

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

### Adjusted EBITDA

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

	Notes	2022 £'000	2021 £'000
<b>Profit before taxation</b>		<b>3,238</b>	431
Adjusting items:			
Amortisation of intangibles	14	4,723	4,042
Depreciation of property, plant and equipment	13	191	175
Amortisation of right-to-use assets	16	714	581
Notional interest on lease liabilities	9	45	43
Finance revenue	9	(6)	(4)
Interest payable	9	174	78
<b>EBITDA</b>		<b>9,079</b>	5,346
Exceptional items	5	153	1,491
Share-based payments	23	1,027	369
<b>Adjusted EBITDA</b>		<b>10,259</b>	7,206

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





# Notes to the financial statements continued

## 5. Segment information continued

### Geographic information

	2022 £'000	2021 £'000
<b>Revenues from external customers (by destination)</b>		
UK	6,953	5,998
EMEA	4,460	3,151
United States	14,607	9,096
Americas	1,307	517
Australia	20,840	17,738
Asia Pacific	552	526
	<b>48,719</b>	37,026

EMEA includes revenue from external customers located primarily in the Netherlands, Luxembourg, Switzerland, Finland and South Africa. Americas include revenue primarily from Canada. Asia Pacific includes revenue from external customers located primarily in Malaysia and Singapore.

	2022 £'000	2021 £'000
<b>Non-current assets</b>		
UK	63,077	62,777
EMEA	425	448
North America	740	396
Asia Pacific	1,037	562
	<b>65,279</b>	64,183

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

## 6. Group operating profit

The Group operating profit is stated after charging:

	Notes	2022 £'000	2021 £'000
Research costs written off		2,616	1,721
Amortisation of deferred development costs recognised in administration expenses	14	2,360	2,326
Total research and development costs		<b>4,976</b>	4,047
Depreciation of property, plant and equipment	13	191	175
Amortisation of right to use assets	16	714	581
Amortisation of intangible assets (excluding development costs)	14	2,363	1,716
Total depreciation, impairment and amortisation expense		<b>3,268</b>	2,472
Employee benefit expenses	8	27,570	20,521
Net foreign currency differences (gains)/losses		(218)	69

## 7. Auditor's remuneration

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

	2022 £'000	2021 £'000
<b>Audit fees</b>		
Audit of the Group financial statements and associated company	32	29
Other fees to the auditor		
– Auditing the accounts of subsidiaries	190	111
– Audit of acquisition	—	14
	<b>222</b>	154
<b>Non-audit fees</b>		
Accountants report on historical financial information	—	160
Audit of bank covenant certificates	3	6
	<b>3</b>	166

## 8. Staff costs and Directors' emoluments

### Staff and Director costs

	Income statement £'000	Capitalised development costs £'000	Total excluding contracting £'000	Contracting costs expensed £'000	Total £'000
<b>2022</b>					
Wages and salaries	17,556	3,974	21,530	3,228	24,758
Social security costs	1,272	372	1,644	212	1,856
Other pension costs	518	108	626	330	956
	19,346	4,454	23,800	3,770	27,570

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

Included in wages and salaries is a total expense of share-based payments of £1,027,000 (2021: £369,000) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was made up as follows:

	<b>2022</b>	2021
Management	14	12
Sales and administration	48	42
Technical	160	128
Total	222	182
Contracting services	37	33

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

## 9. Finance revenue and costs

	<b>2022</b> £'000	2021 £'000
<b>Finance revenue</b>		
Bank interest receivable	6	4
<b>Finance costs</b>		
Notional interest on lease liabilities	45	43
Bank interest payable	19	—
Other interest payable	6	1
Other bank charges	149	77
Total finance costs	219	121



## Notes to the financial statements continued

## 10. Taxation

## Tax on profit on ordinary activities

## Tax charge in the income statement

	2022 £'000	2021 £'000
<b>Current income tax</b>		
Overseas tax charge/(credit) – adjustment to prior years	45	(93)
Overseas tax charge – current year	1,570	1,118
UK corporation tax credit – adjustment to prior years	(1,293)	(1,045)
Total current income tax	322	(20)
<b>Deferred income tax</b>		
Movement in net deferred tax liability	34	1,231
Tax rate change adjustments	—	232
Total deferred income tax	34	1,463
Total charge in the income statement	356	1,443

The UK corporation tax credit included £1,273,000 (2021: £1,045,000) relating to the surrender of prior year tax losses under the HMRC R&D tax credit scheme.

## Reconciliation of the total tax charge

The tax charge in the income statement for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are reconciled below:

	2022 £'000	2021 £'000
Profit before taxation	3,238	431
Profit before taxation multiplied by the UK standard rate of corporation tax of 19.0% (2021: 19.0%)	615	82
Effects of:		
Expenses not deductible for tax purposes	573	288
Impact of tax rate change on timing differences	139	234
Difference in overseas tax rates	375	785
Movement in unprovided tax losses	(86)	(305)
Adjustments to prior years in respect to current tax	(1,248)	(1,138)
Adjustments to prior years in respect to deferred tax	2,165	1,802
Research and development enhanced relief	(2,177)	(1,703)
Deferred tax on the inter-group sale of intellectual property	—	1,398
Total tax charge reported in the income statement	356	1,443

## Tax credit recognised in equity

	2022 £'000	2021 £'000
Deferred tax credit recognised directly in equity	301	—
Total tax credit recognised directly in equity	301	—

## Deferred tax

## Deferred tax liabilities

Movement on the deferred tax liability is shown below:

	2022 £'000	2021 £'000
At 1 January	(6,599)	(737)
Recognised in income	(34)	(1,463)
Recognised in equity	301	—
Arising on acquisition of intangibles in subsidiaries	—	(4,055)
Foreign exchange	265	(344)
At 31 December	(6,067)	(6,599)

## 10. Taxation continued

### Deferred tax continued

#### Deferred tax liabilities continued

Deferred tax recognised relates to the following:

	2022 £'000	2021 £'000
Tax losses available for offset against future taxable income	3,979	3,639
Employee share award schemes	766	310
Capitalised development costs	(5,577)	(4,545)
Accelerated depreciation for tax purposes on fixed assets	540	828
Other timing differences	379	—
Inter-group sale of intellectual property	(1,300)	(1,398)
Acquired intangibles – software and customer relationships	(4,854)	(5,433)
<b>31 December</b>	<b>(6,067)</b>	<b>(6,599)</b>
<b>Comprising:</b>		
Asset	—	232
Liability	(6,067)	(6,831)
<b>31 December</b>	<b>(6,067)</b>	<b>(6,599)</b>

#### Unrecognised tax losses

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

The tax effect of exchange differences recorded within the consolidated statement of comprehensive income is a credit of £178,000 (2021: £35,000).

#### Temporary differences associated with Group investments

At 31 December 2022, there was no recognised deferred tax liability (2021: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

#### Unrecognised potential deferred tax assets

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

	2022 £'000	2021 £'000
Gresham Technologies (Luxembourg) S.A.	793	816
Gresham Technologies (Holdings) SARL	109	103
Inforalgo Information Technology Limited	—	243
Gresham Technologies (Singapore) Pte. Limited	137	125
Gresham Technologies (TDI) Limited	119	116
Tax losses	1,158	1,403
Gross tax losses unrecognised	5,155	5,857

#### Future tax rates

The main UK corporation tax rate is due to increase to 25% from 1 April 2023 as substantively enacted by the Finance Act 2021. Therefore, the rate used to calculate deferred tax balances at 31 December 2022 is 25%.

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

	2022 %	2021 %
UK	25	25
Luxembourg	25	25
Australia	30	30
US	27	27



# Notes to the financial statements continued

## 11. Earnings

### Earnings per share

Basic earnings per share amounts are calculated by dividing profit or loss for the year attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit or loss attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares except when such dilutive instruments would reduce the loss per share.

The following reflects the earnings and share data used in the basic and diluted earnings per share computations:

	2022	2021
Basic weighted average number of shares	<b>83,393,061</b>	77,132,796
Employee share options – weighted (note 23)	<b>1,133,957</b>	890,100
Diluted weighted average number of shares	<b>84,527,018</b>	78,022,896

	Notes	2022 £'000	2021 £'000
Adjusted earnings attributable to owners of the Parent		<b>6,377</b>	3,919
Adjusting items:			
Exceptional items	5	<b>(153)</b>	(1,491)
Amortisation of acquired intangibles	14	<b>(2,315)</b>	(1,673)
Deferred tax charge on inter-group sale of intellectual property	10	<b>—</b>	(1,398)
Share-based payments	23	<b>(1,027)</b>	(369)
Statutory earnings attributable to owners of the Parent		<b>2,882</b>	(1,012)

### Earnings per share

#### Statutory

	Pence	Pence
Basic earnings per share	<b>3.46</b>	(1.31)
Diluted earnings per share	<b>3.41</b>	(1.31)

#### Adjusted

	Pence	Pence
Basic earnings per share	<b>7.65</b>	5.08
Diluted earnings per share	<b>7.54</b>	5.02

During the year ended 31 December 2022, share options granted under share option schemes were exercised and the Group issued 85,000 (2021: 83,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 for further details.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this Annual Financial Report 2022.

## 12. Dividends paid and proposed

The final dividend for the year ended 31 December 2021 was approved at the Company Annual General Meeting on 10 May 2022 and paid on 19 May 2022 of 0.75 pence per share, equating to a total of £622,000. The Company will be proposing a final dividend for approval at the AGM for the year ended 31 December 2022 of 0.75 pence per share.

### 13. Property, plant and equipment

	Fixtures and fittings £'000	Property, plant and equipment £'000	Total £'000
<b>2022</b>			
<b>Cost</b>			
At 1 January	745	1,073	1,818
Additions	463	343	806
Disposals	—	(293)	(293)
Exchange adjustment	63	21	84
At 31 December	1,271	1,144	2,415
<b>Depreciation and impairment</b>			
At 1 January	(723)	(877)	(1,600)
Charge for year	(33)	(158)	(191)
Disposals	—	293	293
Exchange adjustment	(12)	(6)	(18)
At 31 December	(768)	(748)	(1,516)
<b>Net carrying amount</b>			
At 31 December	503	396	899
At 1 January	22	196	218

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



## Notes to the financial statements continued

## 14. Intangible assets

	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition		Goodwill £'000	Total £'000
			Software £'000	Customer relationships £'000		
<b>2022</b>						
<b>Cost</b>						
At 1 January	31,072	858	12,120	14,210	19,848	78,108
Additions	5,195	—	—	—	—	5,195
Disposals	—	(91)	—	—	—	(91)
Exchange adjustment	34	10	—	—	55	99
At 31 December	36,301	777	12,120	14,210	19,903	83,311
At 1 January	(10,378)	(763)	(3,105)	(1,378)	(217)	(15,841)
Charge for year	(2,360)	(48)	(1,212)	(1,103)	—	(4,723)
Eliminated on disposal	—	91	—	—	—	91
Exchange adjustment	(7)	(10)	—	—	(33)	(50)
At 31 December	(12,745)	(730)	(4,317)	(2,481)	(250)	(20,523)
<b>Net carrying amount</b>						
At 31 December	23,556	47	7,803	11,729	19,653	62,788
At 1 January	20,694	95	9,015	12,832	19,631	62,267

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

## Development costs

Development costs are internally generated and are capitalised at cost. These intangible assets have been assessed as having a finite life and are amortised on a straight-line basis over their useful lives of two to eleven years. These assets are tested for impairment where an indicator of impairment arises and annually prior to them being made available for use.

For the years ended 31 December 2022 and 31 December 2021 the Group has capitalised development costs in respect of individual Clareti applications which have been individually assessed against the required capitalisation criteria and been individually assigned useful economic lives reflecting the maturity and availability of comparable applications in our markets. These useful economic lives are assessed to be between two and eleven years.

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

## Patents and licences

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



## 14. Intangible assets continued

### Separately identified acquired intangibles

Separately identified intangibles acquired through business combinations represent software and customer relationships which arose through the acquisitions of C24 Technologies Limited, B2 Group, Inforalgo and Electra Information Systems.

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

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

### Goodwill

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

## 15. Impairment of intangible assets

The Group performs impairment reviews at the reporting period end for all intangible assets to identify any intangible assets that have a carrying value that is in excess of its recoverable amount.

### Goodwill

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

### Carrying amount of goodwill

	2022 £'000	2021 £'000
Clareti Solutions CGU	19,653	19,631

### Separately identified acquired intangibles

Intangibles assets acquired through business combinations are reviewed for impairment on an annual basis. The following table summarises the net book value of separately identified acquired intangibles:

	2022 £'000	2021 £'000
Software	7,803	9,015
Customer relationships	11,729	12,832
	19,532	21,847

### Development costs (finite life)

Development costs are reviewed for impairment on an annual basis prior to being made available for use, or sooner where an indicator of impairment exists. The following table summarises the net book value of development costs:

	2022 £'000	2021 £'000
Clareti Solutions CGU	23,556	20,694

### Clareti Solutions cash-generating unit

The recoverable amount of this CGU has been determined based on a value-in-use calculation. The cashflow projections are based on the 2023 financial budget, as approved by the Board, which are extrapolated for five years and extended beyond five years using a long-term growth rate. The Board considers this approach appropriate given the long-term opportunities that exist in the Asia Pacific, EMEA and North American regions.

The discount rate applied to cashflow projections is 17% (2021: 15%) and cashflows beyond the five-year period are extrapolated using a 2% growth rate (2021: 2%) that is a prudent approximation to the long-term average growth rate for the region in which the CGU operates. The recoverable amount of the Clareti Solutions CGU supports the value of goodwill on the statement of financial position.

### Key assumptions used in the value-in-use calculations

Key assumptions are made by management based on past experience taking into account external sources of information around gross margins, growth rates and discount rates for similar businesses.

The calculation of value in use is most sensitive to assumptions around:

- operating cashflows, based on financial budgets for 2023 approved by the Board;
- growth rates, based on internally estimated growth rates for the market and business offerings; and
- the discount rate, based on the pre-tax weighted average cost of capital of the Group.



## Notes to the financial statements continued

### 15. Impairment of intangible assets continued

#### Sensitivity to changes in assumptions

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

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

Pre-tax discount rate	Increase from 17% to 26%
Growth rate beyond year 5	Reduction from 2% to -16%
Revenue growth	Reduction from 18% average over five years to 9% average

We are confident the assumptions in respect of operating cashflows remain appropriate. Where the operating cashflows incorporate products or solutions that will be sold in an existing known market, past experience is used as a guide to the level of sales achievable, growth rates and associated margins. Where the operating cashflows relate to products or solutions that will be sold into a new or emerging market, past experience with similar products or solutions is combined with relevant information from external market sources, such as competitor pricing and discussions with potential customers, in arriving at the level of sales achievable, growth rates and associated margins.

### 16. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets or leases with a duration of twelve months or less. The expense relating to short-term leases of twelve months or less was £nil (2021: £nil). The Group held no low value asset leases.

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term with the discount rate determined by reference to the interest rate inherent in the lease and where that is not readily determinable the incremental borrowing rate, between 3.1% and 5.8%. Subsequent to the initial measurement lease liabilities are increased as a result of interest charged and reduced for lease payments made.

The Group leases a number of office buildings where payments are fixed until the contracts expire. The average lease term is 2.4 years (2021: 2.5 years). During the year, one office lease expired, which was replaced by a new lease for the identical underlying asset. This resulted in an addition to right of use assets of £55,000 (2021: £nil).

In addition during the year, the Group has reassessed the lease term of one of the leases where the original lease contract includes an extension option. The extension option allows the original lease term of five years to be extended by a further five years. Incorporating the extended lease term resulted in an addition to right of use assets of £538,000 in 2022 (2021: £nil).

The Group has entered a rent review for one of its office leases which includes rent for the years ending 31 December 2022 and 31 December 2021, which has not been agreed as at 31 December 2022. The related lease liability and right of use asset has been reassessed as at 31 December 2022 resulting in an addition to right of use assets of £215,000. The estimated cash outflow of the additional rent in relation to these years is £71,000.

There are no other extension or termination options on the lease arrangements.

#### Right-of-use assets

	Property £'000	Motor vehicles £'000	Total £'000
<b>2022</b>			
<b>Cost</b>			
At 1 January	2,846	62	2,908
Additions	808	—	808
Disposals	(439)	(62)	(501)
Exchange adjustment	90	—	90
At 31 December	3,305	—	3,305
<b>Amortisation</b>			
At 1 January	(1,384)	(58)	(1,442)
Charge for year	(710)	(4)	(714)
Disposals	439	62	501
Exchange adjustment	(58)	—	(58)
At 31 December	(1,713)	—	(1,713)
<b>Net carrying amount</b>			
At 31 December	1,592	—	1,592
At 1 January	1,462	4	1,466

## 16. Leases continued

### Right-of-use assets continued

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

### Lease liabilities

	Land and buildings £'000	Motor vehicles £'000	Total £'000
At 1 January 2022	1,406	6	1,412
Cash items:			
Lease payments	(639)	(6)	(645)
Non-cash items:			
Additions	808	—	808
Interest expense	45	—	45
Foreign exchange movements	42	—	42
<b>At 31 December 2022</b>	<b>1,662</b>	<b>—</b>	<b>1,662</b>
At 1 January 2021	1,510	29	1,539
Cash items:			
Lease payments	(566)	(24)	(590)
Non-cash items:			
Additions	125	—	125
Acquisitions	306	—	306
Interest expense	42	1	43
Foreign exchange movements	(11)	—	(11)
At 31 December 2021	1,406	6	1,412

	<b>2022 £'000</b>	2021 £'000
Due between 0-3 months	<b>194</b>	161
Due between 3-12 months	<b>515</b>	481
Due less than one year	<b>709</b>	642
Due more than one year	<b>953</b>	770
Lease liabilities	<b>1,662</b>	1,412



# Notes to the financial statements continued

## 17. Investments

### Details of Group undertakings

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

Name of subsidiary company	Registered address	Holding (shares)	Proportion of voting rights and shares held	Nature of business
Gresham Technologies (UK) Limited <sup>(4)</sup>	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Solutions) Limited <sup>(4)</sup>	Aldermay House, London, England	Ordinary	100%	Software solutions
C24 Technologies Limited <sup>(4)</sup>	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Australia) Pty Limited <sup>(3)</sup>	Level 6, 1 Pacific Highway, North Sydney, Australia	Ordinary	100%	Software solutions
Gresham Technologies (TDI) Limited <sup>(1,4)</sup>	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Malaysia) SDN BHD <sup>(1)</sup>	Level 7, Menara Milenium, Jalan Damanlela, Malaysia	Ordinary	100%	Software solutions
Gresham Technologies (Singapore) Pte. Limited	138 Cecil Street, Cecil Court, Singapore	Ordinary	100%	Software solutions
Gresham Technologies (US) Inc. <sup>(1,3)</sup>	381 Park Ave S, New York, US	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc. <sup>(1,3)</sup>	381 Park Ave S, New York, US	Ordinary	100%	Software solutions
Electra Information Systems Inc. <sup>(1,3)</sup>	381 Park Ave S, New York, US	Ordinary	100%	Software solutions
Electra Solutions Inc. <sup>(1,3)</sup>	381 Park Ave S, New York, US	Ordinary	100%	Software solutions
Electra Information Systems Limited <sup>(1,4)</sup>	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (International) Limited <sup>(4)</sup>	Aldermay House, London, England	Ordinary	100%	Holding company
Gresham Technologies (Holdings) SARL <sup>(3)</sup>	6E route de Treves, L-2633, Luxembourg	Ordinary	100%	Holding company
Gresham Technologies (Luxembourg) S.A. <sup>(1)</sup>	6E route de Treves, L-2633, Luxembourg	Ordinary	100%	Software solutions
GMS Loan Technologies Limited <sup>(4)</sup>	Aldermay House, London, England	Ordinary	100%	Dormant
Inforalgo Information Technology Limited <sup>(4)</sup>	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Consultancy Services Limited <sup>(2)</sup>	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Tech Limited <sup>(2)</sup>	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Telecomputing Limited <sup>(2)</sup>	Aldermay House, London, England	Ordinary	100%	Dormant
Circa Business Systems Limited <sup>(2)</sup>	Aldermay House, London, England	Ordinary	100%	Dormant
Cheerkeep Limited <sup>(2)</sup>	Aldermay House, London, England	Ordinary	100%	Dormant

(1) Held by a subsidiary undertaking.

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

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

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

## 18. Current assets

	2022 £'000	2021 £'000
Trade receivables	4,765	3,795
Prepayments	1,213	1,032
Other receivables	537	576
Trade and other receivables	6,515	5,403
Accrued income	1,822	1,234
Prepaid commission	736	431
Contract assets	2,558	1,665
Income tax receivable	—	1,204

## 18. Current assets continued

Trade receivables are denominated in the following currencies:

	2022 £'000	2021 £'000
Sterling	1,034	342
Euro	718	740
US Dollar	1,863	2,009
Canadian Dollar	22	10
Australian Dollar	1,098	531
Malaysian Ringgit	5	163
South African Rand	25	—
Total trade receivables	4,765	3,795

Trade receivables are non-interest bearing and are generally on 30 to 60 day terms and are shown net of a provision for impairment. At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £'000	Due not impaired £'000	Past due but not impaired				
			<30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	>120 days £'000
2022	4,765	2,849	1,524	161	75	—	156
2021	3,795	1,774	1,625	122	28	47	199

The Group's customers primarily comprise national and international banks, Government bodies and substantial private and public companies. As a result, the credit quality of trade receivables that are neither past due nor impaired has been assessed by the Directors to be relatively high, taking account of a low historical experience of bad debts and relatively good ageing profiles.

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

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

## 19. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	6,280	9,139

Cash at bank earns interest at both fixed-term rates and floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is the same as stated above.

For the purpose of the consolidated statement of cashflow, cash and cash equivalents comprises cash at bank and in hand and short-term deposits.

## 20. Trade, other payables, provisions and financial liabilities

### Trade and other payables

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

#### Current

	2022 £'000	2021 £'000
Trade payables	1,536	1,059
Accruals	4,252	3,909
Social security and other taxes	618	492
Other payables	1,690	2,108
Contract liabilities	11,070	12,048
	19,166	19,616
	2022 £'000	2021 £'000
Income tax payable	244	131



## Notes to the financial statements continued

### 20. Trade, other payables, provisions and financial liabilities continued

#### Trade and other payables continued

##### Non-current

	2022 £'000	2021 £'000
Contract liabilities	354	60

##### Provisions

	2022 £'000	2021 £'000
At 1 January		
– Current	—	—
– Non-current	144	146
	144	146
Foreign exchange movements	2	(2)
<b>At 31 December</b>	<b>146</b>	<b>144</b>
– Current	—	—
– Non-current	146	144
	146	144

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

##### Contingent consideration

	2022 £'000	2021 £'000
At 1 January		
– Current	3,944	909
– Non-current	3,575	349
	7,519	1,258
Payments made during the year	(4,356)	(923)
Increase in contingent consideration arising on the acquisition of Inforalgo	—	34
Arising on the acquisition of Electra	—	6,938
Foreign exchange movements	824	212
<b>At 31 December</b>	<b>3,987</b>	<b>7,519</b>
– Current	3,987	3,944
– Non-current	—	3,575
	3,987	7,519

### 21. Financial instruments

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

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

## 21. Financial instruments continued

### Categories of financial assets and liabilities

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

2022	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
<b>Financial assets</b>			
Trade receivables	—	4,765	4,765
Cash and cash equivalents	—	6,280	6,280
	—	11,045	11,045
<b>Financial liabilities</b>			
Trade payables	—	1,536	1,536
Contingent consideration	3,987	—	3,987
Accruals	—	4,252	4,252
Other payables	—	1,690	1,690
	3,987	7,478	11,465

2021	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
<b>Financial assets</b>			
Trade receivables	—	3,795	3,795
Cash and cash equivalents	—	9,139	9,139
	—	12,934	12,934
<b>Financial liabilities</b>			
Trade payables	—	1,059	1,059
Contingent consideration	7,519	—	7,519
Accruals	—	3,909	3,909
Other payables	—	2,108	2,108
	7,519	7,076	14,595

The Group determined the fair value of the contingent consideration based on expected achievement of agreed revenue targets. If revenue is 5% lower than the agreed targets, the contingent consideration payable will be reduced by £1,595,000. This liability is classed as level 3 of the fair value hierarchy, i.e. fair value measurements are derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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

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

As at 31 December 2022 and 31 December 2021 the Group held no foreign exchange instruments.





## Notes to the financial statements continued

### 21. Financial instruments continued

#### Categories of financial assets and liabilities continued

A reconciliation of financial liabilities and related cashflows are shown below:

	At 1 January £'000	Cash flows £'000	New leases £'000	Interest £'000	Foreign exchange movements £'000	At 31 December £'000
<b>2022</b>						
Bank loans	—	—	—	—	—	—
Lease liabilities	1,412	(645)	808	45	42	1,662
Contingent consideration	7,519	(4,356)	—	—	824	3,987
Total liabilities from financing activities	8,931	(5,001)	808	45	866	5,649

During the year \$1.25m was drawdown from the Group's \$10m loan facility with the Bank of Ireland. The amount was repaid in full during the year.

	At 1 January £'000	Cash flows £'000	New leases £'000	Acquisitions £'000	Interest £'000	Foreign exchange movements £'000	At 31 December £'000
<b>2021</b>							
Lease liabilities	1,539	(590)	125	306	43	(11)	1,412
Contingent consideration	1,258	(923)	—	6,972	—	212	7,519
Total liabilities from financing activities	2,797	(1,513)	125	7,278	43	201	8,931

#### Objectives, policies and strategies

The Group's objective is to finance the business through management of existing liquidity, focusing on working capital acceleration to cash and converting illiquid assets to liquid assets and, ultimately, cash. Investments in non-current assets have been made with the benefit of research and development tax credits taken as cash.

The Group's policy towards using financial instruments is to manage credit, liquidity and currency exposure risk without exposing the Group to undue risk or speculation. The policy is kept under review by the Directors according to the Group's foreign exchange and treasury policy.

#### Risk management

The risks arising from the Group's operations and financial instruments are explained below.

#### Credit management

The Group monitors exposure to credit risk on an ongoing basis. The risk of financial loss due to a counterparty failure to honour its obligations arises principally in relation to transactions where the Group provides solutions and services on deferred terms and where it invests or deposits surplus cash.

Group policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to provisions for bad debts is not significant. Solutions and services may be sold on a cash-with-order basis to mitigate credit risk. Bad debt provision insurance is not carried.

Performance of individual businesses is monitored at both operating unit and Group level allowing the early identification of major risks and reducing the likelihood of an unmanaged concentration of credit risk.

Cash investments are only allowed in liquid securities with major financial institutions that satisfy specific criteria. The maximum credit risk exposure at the statement of financial position date is represented by the carrying value of financial assets. There are no significant concentrations of credit risk.

#### Interest rate risk

The Group has limited exposure to interest rate risk since it has no bank borrowings and interest receivable on cash deposits does not form a material part of Group income.

#### Capital risk

The Group defines its capital as the Group's total equity and manages capital based on the level of net cash held. Its objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, to provide an adequate return to investors based upon the level of risk undertaken, to have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefit to investors and to maintain sufficient financial resources to mitigate risks and unforeseen events.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to provide additional capital.

## 21. Financial instruments continued

### Liquidity risk

The Group's liquidity risk falls within the following main categories:

- Trade receivables – a significant element of the Group's liquidity is tied up in working capital, which primarily comprises trade receivables. The settlement risk associated with these assets comprises both credit risk (the risk that the counterparty will not settle at all) and liquidity risk (the risk that the counterparty will not settle on time).
- Non-current assets – a significant element of the Group's liquidity is tied up in intangible and tangible fixed assets. For those assets required in the business for day to day operations, the Group considers the use of finance lease arrangements to reduce the amount of liquidity tied up in such assets. The Group keeps its investment in fixed assets under review and actively considers converting such assets to more liquid assets.
- Other payables – the Group's liquidity depends on the ability to fund future operating activities, the Group believes that there is sufficient cash reserves to cover any short and long-term requirements.
- Currency risk – this risk is discussed below.

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

	Between 0 and 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
<b>2022</b>				
Trade payables	1,326	—	—	—
Accruals	4,252	—	—	—
Other payables	1,690	—	—	—
Contingent consideration	—	3,987	—	—
Lease liabilities	194	515	766	187
	<b>7,462</b>	<b>4,502</b>	<b>766</b>	<b>187</b>
	Between 0 and 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
<b>2021</b>				
Trade payables	1,059	—	—	—
Accruals	3,909	—	—	—
Other payables	1,237	871	—	—
Contingent consideration	369	3,575	3,575	—
Lease liabilities	161	481	394	376
	<b>6,735</b>	<b>4,927</b>	<b>3,969</b>	<b>376</b>

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

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

- weekly cash and overdue trade receivables are reported to the Executive Board;
- cash forecasts are maintained;
- foreign exchange risks are hedged where significant; and
- credit control is operated locally, with Group oversight.

Where appropriate, discounts are offered for early payment by customers and finance lease and deferred payment arrangements are considered to retain or improve liquidity.

In June 2021 the Group arranged a \$10m revolving credit facility with the Bank of Ireland. There was no outstanding liability as at 31 December 2022.

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



## Notes to the financial statements continued

## 21. Financial instruments continued

## Currency risk

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

Currency exposure arises through intra-group loans and trading balances throughout all Group locations. Natural hedging is employed, to the extent possible, to minimise net exposures; however, where significant exposures arise outside of intra-group trading, it is Group policy to enter into formal hedging arrangements where these can be shown to be effective.

At 31 December 2022, the Group had no foreign currency forward contracts (2021: none).

Currency exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved. In general, all overseas operating units trade and hold assets and liabilities in their functional currency. An analysis of trade receivables by currency is included in note 18.

## Sensitivities

The following table details the Group's sensitivities to a change in Sterling exchange rates against the respective foreign currencies. The sensitivities represent management's assessment of the effect on monetary assets of the possible changes in foreign exchange rates, which for 2022 and 2021 take account of the potential fluctuations seen in the most recent periods. The sensitivity analysis of the Group's exposure to foreign currency risk at the year end has been determined based on the assumption that the change is effective throughout the financial year and all other variables remain constant. The impact of translating the net assets of foreign operations into Sterling is excluded from the sensitivity analysis.

A positive number indicates an increase in profit after taxation and other components of equity where Sterling weakens against the respective currencies.

2022	Net foreign currency financial assets £'000	Increase/decrease in exchange rates	Effect on profit before tax £'000
<b>Euro</b>	<b>1,251</b>	<b>+20%</b> <b>-20%</b>	<b>(208)</b> <b>313</b>
<b>Australian Dollar</b>	<b>4,451</b>	<b>+20%</b> <b>-20%</b>	<b>(742)</b> <b>1,113</b>
<b>US Dollar</b>	<b>2,365</b>	<b>+20%</b> <b>-20%</b>	<b>(394)</b> <b>591</b>
<b>Malaysian Ringgit</b>	<b>35</b>	<b>+20%</b> <b>-20%</b>	<b>(6)</b> <b>9</b>
<b>Singapore Dollar</b>	<b>52</b>	<b>+20%</b> <b>-20%</b>	<b>(9)</b> <b>13</b>
<b>South African Rand</b>	<b>25</b>	<b>+20%</b> <b>-20%</b>	<b>(4)</b> <b>6</b>

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

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

## 22. Issued share capital

### Ordinary shares allotted, called up and fully paid

	Number	Nominal value £'000
At 1 January 2021	70,156,458	3,508
Exercise of share options (note 23)	83,000	4
Issue of new shares	13,125,000	656
At 31 December 2021	83,364,458	4,168
Exercise of share options (note 23)	85,000	4
<b>At 31 December 2022</b>	<b>83,449,458</b>	<b>4,172</b>

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

During the year ended 31 December 2022, share options granted under share option schemes were exercised at a price between 68.5 and 96.3 pence with the Group issuing 85,000 (2021: 83,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). Share premium of £65,000 (2021: £61,000) was recognised as a result.

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

At 31 December 2022 and 2021 there were outstanding options granted to acquire ordinary shares in the Company. See note 23 for further details.

There are no preference shares in issue (2021: none).

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

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

	£'000	Number
At 1 January 2021	778	831,600
Issue of shares	(169)	(202,292)
At 31 December 2021	609	629,308
Issue of shares	(313)	(323,761)
<b>At 31 December 2022</b>	<b>296</b>	<b>305,547</b>

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

## 23. Share-based payments

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

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

### Share Option Schemes

#### Performance Share Plan 2020

The Performance Share Plan 2020, was approved by shareholders in December 2020. The plan enables the Remuneration Committee to grant share options to key employees following the expiry of the Share Option Plan 2010 on 29 December 2020. Any conditional share award is granted on an ad-hoc discretionary basis at nil cost to the participant. The share award will vest on the later of a three-year vesting period and the achievement of objective performance targets which will be specified by the Remuneration Committee.

332,750 (2021: 950,500) share options have been awarded in the year to 31 December 2022 under the 2020 share option scheme.

#### Share Option Plan 2010

The Share Option Schemes 2010 were approved by shareholders on 30 December 2010, with amendments subsequently approved by shareholders on May 2012 and February 2015. The scheme was created for a ten-year period and expired in December 2020 replaced by the Performance Share Plan 2020.

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



## Notes to the financial statements continued

### 23. Share-based payments continued

#### Deferred Share Bonus Plan 2017

The Deferred Share Bonus Plan operates in conjunction with the annual cash bonus scheme, a percentage of each participating employee's net annual bonus entitlement will continue to be paid in cash with the remaining amount of the bonus being paid to the trustee of a employee benefit trust which has been constituted to acquire existing issued ordinary shares and facilitate the Deferred Share Bonus Plan. These bonus-related shares will be beneficially owned by each participant but held by the trustee as its nominee.

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

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

The matching awards granted to Senior Management are subject to a multiple of a maximum of 4 times the bonus shares awarded. These awards are subject to a three year vesting period and are subject to performance criteria in each year of the vesting period.

In April 2022 745,048 share options were granted at nil cost with two-year and three-year vesting periods; the options expire March 2032.

In previous years vested awards under the Deferred Share Bonus Plan were settled using existing ordinary shares held by the employee benefit trust.

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

At 31 December 2022, 166 participants held awards under the share option schemes (2021: 48).

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2022, including those noted in the Directors' Remuneration Report, are as follows:

	2022 Number	WAEP (pence)	2021 Number	WAEP (pence)
Outstanding at 1 January	3,455,500	92	2,588,000	123
Deferred bonus shares awarded in prior years	815,336	5	—	—
Granted during the year	1,077,798	5	950,500	5
Forfeited during the year	(53,202)	5	—	—
Exercised during the year	(85,000)	(77)	(83,000)	(79)
<b>Outstanding at 31 December</b>	<b>5,210,432</b>	<b>61</b>	3,455,500	92
<b>Exercisable at 31 December</b>	<b>2,438,309</b>	<b>121</b>	2,255,000	125
Weighted average remaining contractual life (years)	6.49		6.10	

During the year 85,000 options were exercised under during the period when the Company share price was between 142 pence and 145.5 pence.

No price is payable on award of share options.

## 23. Share-based payments continued

### Share Option Schemes continued

#### Deferred Share Bonus Plan 2017 continued

Outstanding options and awards to subscribe for ordinary shares of 5 pence at 31 December 2022, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates, are as follows:

	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
<b>Share Option Schemes 2010</b>	185,000	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	178,155
	50,000	07-Oct-13	1.3230	07-Oct-16	07-Oct-23	66,150
	1,500,000	01-Jun-15	1.1057	01-Jun-18	01-Jun-25	1,658,550
	50,000	21-Jun-16	1.0945	21-Jun-19	21-Jun-26	54,725
	140,000	20-Mar-17	1.7352	20-Mar-20	20-Mar-27	242,928
	45,000	28-Nov-17	2.1505	28-Nov-20	28-Nov-27	96,773
	200,000	14-Mar-18	2.2715	14-Mar-21	14-Mar-28	454,300
	100,000	28-Mar-19	0.9720	28-Mar-22	28-Mar-29	97,200
	75,000	25-Oct-19	1.2210	25-Oct-22	25-Oct-29	91,575
	75,000	24-Dec-20	1.5180	24-Dec-23	24-Dec-30	113,850
<b>Performance Share Plan 2020</b>	943,000	21-Oct-21	0.0500	21-Oct-24	21-Oct-31	4,715
	327,250	08-Nov-22	0.0500	08-Nov-25	08-Nov-32	1,636
<b>Deferred Share Bonus Plan</b>	38,668	27-Mar-19	0.0500	27-Mar-21	27 Mar-29	1,933
	54,641	18-Mar-20	0.0500	18-Mar-22	18 Mar-30	2,732
	267,834	18-Mar-20	0.0500	18-Mar-23	18 Mar-30	13,392
	67,373	31-Mar-21	0.0500	31-Mar-23	31 Mar 31	3,369
	386,820	31 Mar 21	0.0500	31 Mar 24	31 Mar 31	19,341
	183,452	31 Mar 22	0.0500	31 Mar 24	31 Mar 32	9,173
	521,394	31 Mar 22	0.0500	31 Mar 25	31 Mar 32	26,070
	<b>5,210,432</b>					<b>3,136,567</b>

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

	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
<b>Share Option Schemes 2010</b>	45,000	15-Aug-12	0.6850	15-Aug-15	15-Aug-22	30,825
	225,000	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	216,675
	50,000	07-Oct-13	1.3230	07-Oct-16	07-Oct-23	66,150
	1,500,000	01-Jun-15	1.1057	01-Jun-18	01-Jun-25	1,658,550
	50,000	21-Jun-16	1.0945	21-Jun-19	21-Jun-26	54,725
	140,000	20-Mar-17	1.7352	20-Mar-20	20-Mar-27	242,928
	45,000	28-Nov-17	2.1505	28-Nov-20	28-Nov-27	96,773
	200,000	14-Mar-18	2.2715	14-Mar-21	14-Mar-28	454,300
	100,000	28-Mar-19	0.9720	28-Mar-22	28-Mar-29	97,200
	75,000	25-Oct-19	1.2210	25-Oct-22	25-Oct-29	91,575
	75,000	24-Dec-20	1.5180	24-Dec-23	24-Dec-30	113,850
<b>Share Option Schemes 2020</b>	950,500	21-Oct-21	0.0500	21-Oct-24	21-Oct-31	4,753
	<b>3,455,500</b>					<b>3,128,304</b>

The fair value of equity-settled share options granted by the Share Option Schemes are estimated as at the date of grant using a Black Scholes model, taking into account the terms and conditions upon which the options were granted.

## Notes to the financial statements continued

### 23. Share-based payments continued

#### Share Option Schemes continued

#### Deferred Share Bonus Plan 2017 continued

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

Vesting date	08-Nov-25
Expiry date (number of years after grant)	10
Exercise price	£0.05
Share price at valuation	£1.455
Vested options' expected life	5.8 years
Volatility	30%
Dividend yield	0%
Risk free rate	1.0%
Impact of continued employment conditions	0%

Vesting of options is reliant on achievement of any relevant performance conditions set by the Remuneration Committee, which typically take the form of sales-based targets and share price growth.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

#### Share-based payments

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

	2022 £'000	2021 £'000
Expense recognised in respect of share-based payments	1,027	369

### 24. Reserves

#### Share capital

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

During the year ended 31 December 2022, share options granted under the 2010 Share Option Plans were exercised and the Group issued 85,000 (2021: 83,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 for further details.

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

#### Share premium account

The balance classified as share premium represents the premium arising from the issue of the Company's equity share capital, comprising 5 pence ordinary shares, net of share issue expenses. There are restrictions on the use of the share premium account. It can only be used for bonus issues, to provide for the premium payable on redemption of debentures, or to write off preliminary expenses, or expenses of, or commissions paid on, or discounts allowed on, the same issues of shares or debentures of the Company.

#### Own share reserve

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

#### Other reserves

The balance classified as other reserves comprises a special reserve of £536,000. The special reserve arose on the cancellation of deferred ordinary shares in June 1992. In 2018, 134,440 shares were issued as part consideration for the acquisition of B2 Group at a placing price of £1.71. The excess over the nominal value of the shares issued has been credited to other reserves (merger reserve) in compliance with s612 and s613 of the Companies Act 2006.

#### Foreign currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

#### Retained earnings

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

### 25. Capital commitments

There were no capital commitments at 31 December 2022 (2021: none).



## 26. Related party transactions

### Key management compensation (including Directors)

	2022 £'000	2021 £'000
Directors' emoluments		
Remuneration	652	648
Social security costs	137	145
Bonuses	298	401
Pension	22	22
Share-based payments	406	116
	1,515	1,332

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

There is no single party known that the Directors consider to be a controlling shareholder or ultimate parent undertaking. Refer to page 67 for details of all significant shareholders that the Company has been notified of.

## 27. Events after the reporting date

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



# Company balance sheet

	Notes	At 31 December 2022 £'000	At 31 December 2021 £'000
<b>Fixed assets</b>			
Lease receivable	8	781	945
Investments	5	42,665	41,638
		<b>43,446</b>	42,583
<b>Current assets</b>			
Debtors	6	38,372	39,000
Cash at bank and in hand		419	643
		<b>38,791</b>	39,643
Creditors: amounts falling due within one year	7	(42,823)	(42,253)
Net current liabilities		<b>(4,032)</b>	(2,610)
Total assets less current liabilities		<b>39,414</b>	39,973
Creditors: amounts falling due more than one year	7	(473)	(553)
Total assets less liabilities		<b>38,941</b>	39,420
<b>Capital and reserves</b>			
Called up share capital	9	4,172	4,168
Share premium	10	23,941	23,876
Own share reserve	9	(296)	(609)
Special reserve	10	313	313
Merger reserve	10	1,583	1,583
Profit and loss account	10	9,228	10,089
Shareholders' funds – equity interests		<b>38,941</b>	39,420

The Company made a retained loss in the year of £1,319,000 (2021: £2,309,000).

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2023.

On behalf of the Board.

**Ian Manocha**

CHIEF EXECUTIVE

13 March 2023

**Tom Mullan**

CHIEF FINANCIAL OFFICER

13 March 2023

## Company statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Own shares £'000	Special reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2021		3,508	4,341	(778)	313	1,583	12,551	21,518
Issue of equity shares		656	20,344	—	—	—	—	21,000
Share issue costs		—	(870)	—	—	—	—	(870)
Exercise of share options	9	4	61	—	—	—	—	65
Share-based payments	13	—	—	—	—	—	369	369
Transfer of own shares held by Employee Share Ownership Trust to employees	9	—	—	169	—	—	—	169
Dividend paid	4	—	—	—	—	—	(522)	(522)
Retained loss for the year		—	—	—	—	—	(2,309)	(2,309)
At 31 December 2021		4,168	23,876	(609)	313	1,583	10,089	39,420
Exercise of share options	9	4	65	—	—	—	—	69
Share-based payments	13	—	—	—	—	—	1,027	1,027
Transfer of own shares held by Employee Share Ownership Trust to employees	9	—	—	313	—	—	53	366
Dividend paid	4	—	—	—	—	—	(622)	(622)
Retained loss for the year		—	—	—	—	—	(1,319)	(1,319)
<b>At 31 December 2022</b>		<b>4,172</b>	<b>23,941</b>	<b>(296)</b>	<b>313</b>	<b>1,583</b>	<b>9,228</b>	<b>38,941</b>



## Notes to the Company financial statements

### 1. Accounting policies

#### Basis of preparation

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

The financial statements are prepared under the historical cost convention as modified for financial instruments that are measured at fair value and were approved for issue on 13 March 2023.

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. For the year ended 31 December 2021, the Company recorded a retained loss of £1,319,000 (2021: loss £2,309,000).

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

#### Going concern

The Group and the Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 01 to 40.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the Annual Financial Report 2022.

#### Disclosure exemptions adopted

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

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

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

- share-based payments;
- business combinations;
- assets held for sale and discontinued operations; and
- impairment of assets.

#### Investments

Investments are recorded at cost less provision for impairment.

### Financial assets

#### Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

#### Assets carried at amortised cost

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

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

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

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

### Taxation

#### Income taxes

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

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

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

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

## 1. Accounting policies continued

### Taxation continued

#### Income taxes continued

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

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

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

#### Foreign currencies

Transactions denominated in foreign currencies are translated at an approximation of the exchange rate ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date. Resulting exchange gains and losses are taken to the income statement.

#### Related party transactions

The Company has taken advantage of the exemption under FRS 101 from disclosing related party transactions with entities that are wholly owned subsidiary undertakings of the Gresham Technologies plc Group.

#### Share-based payments – equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised in the Company financial statements as a capital contribution to the subsidiaries for whom the employees perform services, with the credit entry being made to reserves, over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value of awards with a market condition-based performance target is determined by an external valuer using a Monte Carlo simulation pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). Fair value of awards with a financial result-based performance target is determined by management using the Black Scholes pricing model.

No capital contribution is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is recorded as a capital contribution immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as a capital contribution in the balance sheet.

#### Employee Share Ownership Trust (ESOT)

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

#### Leases

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

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

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

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

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

# Notes to the Company financial statements continued

## 1. Accounting policies continued

### Leases continued

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

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

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

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

## 2. Auditor's remuneration

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

## 3. Directors' remuneration

Information concerning Directors' remuneration and gains on exercise of share options can be found in the Directors' Remuneration Report beginning on page 64 and in note 8 to the Group financial statements. There are no staff employed or costs recognised in relation to the Parent Company.

## 4. Dividends paid and proposed

The final dividend for the year ended 31 December 2021 was approved at the Company Annual General Meeting on 10 May 2022 and paid on 19 May 2022 of 0.75 pence per share, equating to a total of £622,000. The Company will be proposing a final dividend for approval at the AGM for the year ended 31 December 2022 of 0.75 pence per share.

## 5. Investments

	2022 £'000	2021 £'000
Investment in subsidiaries		
<b>Cost</b>		
At 1 January	55,230	34,058
Acquisitions	—	23,866
Disposals	—	(3,063)
Capital contribution – share-based payments	1,027	369
At 31 December	56,257	55,230
<b>Impairment provisions</b>		
At 1 January	13,592	13,592
At 31 December	13,592	13,592
<b>Net book value</b>		
At 31 December	42,665	41,638

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are included within note 17 to the Group financial statements.

## 6. Debtors

	2022 £'000	2021 £'000
Amounts owed by subsidiary undertakings	38,311	38,904
Prepayments and accrued income	61	96
	38,372	39,000

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

The amounts owed by subsidiary undertakings are net of a provision for expected credit losses of £1,315,000 (2021: £1,315,000). The expected credit losses are assessed following a review of the recoverability of amounts owed by group undertakings. Where these arrangements are on-demand and non-interest bearing, we consider the subsidiary undertakings ability to pay as at 31 December 2022 as well as alternative recovery scenarios.

## 7. Creditors

### Amounts falling due within one year

	2022 £'000	2021 £'000
Amounts owed to subsidiary undertakings	42,425	41,447
Lease liabilities	338	313
Trade creditors	34	50
Contingent consideration	—	379
Other creditors and accruals	26	64
	42,823	42,253

## 7. Creditors continued

### Amounts falling due more than one year

	2022 £'000	2021 £'000
Lease liabilities	473	553

## 8. Leases

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term with the discount rate determined by reference to the Group's incremental external borrowing rate, between 3.1% and 5.8%. Subsequent to the initial measurement, lease liabilities are increased as a result of interest charged and reduced for lease payments made.

The table below represents the maturity of the lease receivable:

	2022 £'000	2021 £'000
Less than 3 months	89	78
3 to 12 months	194	233
1 to 2 years	209	237
2 to 5 years	289	397
Total	781	945

### Lease liabilities

	Total £'000
At 1 January 2021	1,025
Cash items:	
Lease payments	(308)
Non-cash items:	
Additions	232
Disposals	(109)
Interest expense	26
At 31 December 2021	866
Cash items:	
Lease payments	(312)
Non-cash items:	
Additions	224
Interest expense	33
<b>At 31 December 2022</b>	<b>811</b>

	2022 £'000	2021 £'000
Due between 0-3 months	80	73
Due between 3-12 months	258	240
Due less than one year	338	313
Due more than one year	473	553
Lease liabilities	811	866

## 9. Issued share capital

### Ordinary shares allotted, called up and fully paid

	Number	Nominal value £'000
At 1 January 2021	70,156,458	3,508
Exercise of share options	83,000	4
Issue of new shares	13,125,000	656
At 31 December 2021	83,364,458	4,168
Exercise of share options	85,000	4
<b>At 31 December 2022</b>	<b>83,449,458</b>	<b>4,172</b>

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

During the year ended 31 December 2021, share options granted under the 2010 Share Option Plans were exercised and the Group issued 85,000 (2021: 83,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

At 31 December 2022 and 2021 there were outstanding options granted to acquire ordinary shares in the Company. See note 22 of the Group financial statements for further details.

There are no preference shares in issue (2021: none).

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

	£'000	Number
At 1 January 2021	778	831,600
Issue of shares	(169)	(202,292)
At 31 December 2021	609	629,308
Issue of shares	(313)	(323,761)
<b>At 31 December 2022</b>	<b>296</b>	<b>305,547</b>

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

## 10. Reserves

### Share capital

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

During the year ended 31 December 2022, share options granted under the 2010 Share Option Plans were exercised and the Group issued 85,000 (2021: 83,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

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

### Share premium

The balance classified as share premium represents the premium arising from the issue of the Company's equity share capital, comprising 5 pence ordinary shares, net of share issue expenses. There are restrictions on the use of the share premium account. It can only be used for bonus issues, to provide for the premium payable on redemption of debentures, or to write off preliminary expenses, or expenses of, or commissions paid on, or discounts allowed on, the same issues of shares or debentures of the Company.





## 10. Reserves continued

### Own share reserve

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

### Special reserve

The special reserve arose on the cancellation of deferred ordinary shares in June 1992.

### Merger reserve

The merger reserve arose on issue of shares in respect of acquisitions and mergers in the period 1992 to 1999 and in 2018.

### Profit and loss account

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

## 11. Capital commitments

There were no capital commitments at 31 December 2022 (2021: none).

## 12. Contingent liabilities

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

## 13. Share-based payments

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

## 14. Related party transactions

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

## 15. Events after the reporting date

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