Aptitude

Annual Report 2023

Directors and Advisers

Ivan Martin

Non-Executive Chairman / Chair of Nomination Committee

Ivan Martin was appointed to the Board on 1 January 2016 and assumed the role of Non-Executive Chairman on 4 March 2016. Ivan is also Non-Executive Chairman of TelcoSwitch, a privately owned provider of Unified Communications Software as a Service. Until April 2021, Ivan was also Non-Executive Chairman of Xceptor, a London-based international software business which was sold by CBPE Capital to Astorg Partners. Ivan has held a number of significant Executive and Non-Executive positions in both the Technology and Financial Services sectors. He was Chief Executive Officer of Misys Banking and Capital Markets and a main board member of Misys plc. He was also Chairman of FDM Group from 2006 to 2019, during which time he oversaw the growth and evolution of this company from an AIM listing to a FTSE 250 member valued at over £1 billion. Ivan is a member of various Wulstan Capital LLPs and Parch Three Estates LLP, being commercial property investment vehicles.

Alex Curran

Chief Executive Officer

Alex Curran was appointed to the Aptitude Software Board as Acting CEO on 12 July 2023 and subsequently appointed as CEO on 30 November 2023. Alex joined Aptitude Software in 2008 and she has held several senior roles within the Group, including leading the North American business since July 2019. Alex was appointed non-executive director of Checkit plc on 9 January 2023.

Mike Johns

Chief Financial Officer

Mike Johns joined the Group in September 2017 as Group Financial Controller. A Chartered Accountant, Mike has previously held senior financial positions within the Group, including Finance Director for the Group's business outside of North America, before being appointed Chief Financial Officer on 17 May 2023.

Barbara Moorhouse

Non-Executive Director / Senior Independent Director / Chair of Remuneration Committee

Barbara Moorhouse was appointed as a Non-Executive Director on 1 April 2017 and on 14 March 2022 she was appointed as Senior Independent Director and Chair of the Remuneration Committee. Prior to this, she was Chair of the Audit Committee. Barbara has extensive senior experience in operating and financial roles across the public and private sectors. Her most recent executive roles were as Chief Operating Officer at Westminster City Council, and Director General at the Ministry of Justice and Department for Transport. Earlier in her career, she was Chief Financial Officer at two international listed software companies – Kewill Systems plc and Scala Business Solutions NV. Until 31 May 2022 Barbara was also chair of the Rail Safety and Standards Board. Barbara is currently also independent Chair of Agility Trains, a Non-Executive Director of Balfour Beatty plc, and a Non-Executive Director and Chair of the Quality and Safety Committee of Dŵr Cymru/ Welsh Water.

Sara Dickinson

Non-Executive Director / Chair of Audit Committee

Sara Dickinson was appointed as a Non-Executive Director on 1 October 2021 and took on the role of Chair of the Audit Committee on 16 March 2022. Sara was appointed as Chief Financial Officer of the British Standards Institute on 24 January 2022. Prior to this, Sara was Senior Vice President of Finance at Expedia Group, and previously the Chief Finance Officer of Expedia Partner Solutions, the global B2B technology solutions division within Expedia. Sara has over 25 years of financial experience, as well as significant knowledge of digital finance processes and finance transformation. Until August 2021, Sara was a Non-Executive Director and Chair of the Finance Committee of A2Dominion, a residential property group with a debt listing on the London Stock Exchange. Sara's other past experience includes Commercial Finance Director at Costa Coffee, Group Financial Controller for Sage Group plc and Vice President and European Chief Financial Officer of ebookers.

Alex Campbell

Company Secretary

Alex Campbell was appointed as Company Secretary on 8 June 2023. He is a member of the Chartered Governance Institute and has significant experience in supporting UK listed companies with fulfilling their corporate governance and statutory compliance obligations.

Independent Auditor

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25 Farringdon Street
London
EC4A 4AB

Financial Advisor and Stockbroker

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Financial Public Relations

Alma PR
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London
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About Aptitude Software

Aptitude Software provides software solutions that deliver fully autonomous finance to enable its clients to drive growth, efficiency and sustainability. Fynapse is Aptitude's intelligent finance data management and accounting platform designed to increase productivity and lower costs for finance teams globally. Fynapse provides a single view of finance and business data, unparalleled performance and automation, faster and better insights, user-friendly functionality and market-leading total cost of ownership.

Key Operational and Financial Highlights

Financial Highlights

Year ended 31 December	2023	2022	% Change
ARR			
Annual Recurring Revenue[1, 2] ('ARR') at year end	**£51.1m**	£50.2m[2]	2%
Revenue			
Total Revenue	**£74.7m**	£74.4m	-
– Recurring Revenue[3]	**£53.4m**	£50.5m	6%
– Non-Recurring Revenue	**£21.3m**	£23.9m	(11%)
Profit and EPS			
Adjusted Operating Profit[4]	**£9.7m**	£7.5m	29%
Statutory Operating Profit	**£5.3m**	£3.7m	43%
Adjusted Operating Margin[4]	**13%**	10%	3%
Basic Earnings per Share	**7.2p**	4.5p	60%
Cash and Balance Sheet			
Cash and cash equivalents at year end	**£34.1m**	£29.2m	17%
Net funds[5]	**£22.7m**	£15.9m	43%
Final Ordinary Dividend per Share	**3.6p**	3.6p	-
Full Year Ordinary Dividend per Share	**5.4p**	5.4p	-

- Adjusted Operating Profit grew by 29% to £9.7m (2022: £7.5m).
- Year on year constant currency growth in ARR of 2% with headline growth rates moderated by continuing churn in Subscription, Billing and Revenue Management.
- Despite a reduction in non-recurring revenue of £2.6m (11%), total revenue remained steady at £74.7m, an increase of £0.3m from the prior year as a result of the increase in higher quality, recurring revenue.
- Recurring Revenue, the strategic priority of the Group, grew 6% to £53.4 million (2022: £50.5 million), representing 71% of total revenue (2022: 68%).
- Continued balance sheet strength, with cash of £34.1m (2022: £29.2m) and Net Funds[5] of £22.7m (2022: £15.9m). Cash conversion remains a key strength and is improving with the increase in recurring revenue and an improving operating margin.
- As announced separately today, the Board has approved a share buyback programme of up to £20m over three years as part of a programme of enhanced returns. The Group's robust balance sheet provides the opportunity to take advantage of the prevailing market conditions to repurchase shares at advantageous levels, while maintaining the necessary investment to support the organic growth of the business.
- Maintained full year dividend of 5.4p per share.

Strategic Progress:

- Appointment of new executive team, with both CEO and CFO roles filled by internal candidates who have tenure with the organisation and strong operational and market experience.
- Executive team appointed to ensure Aptitude can complete the shift from a business set up to sell regulatory compliance software to an organisation delivering an intelligent finance data management and accounting platform.
- This shift is required to execute against the significant global opportunity for the Fynapse platform supported by our strategic partnerships who recognise how Aptitude is uniquely positioned to help them capitalise on the AI autonomous finance opportunity. The acceleration of our partner strategy is already delivering results, with increased partner pipeline and marketing activity. Upon appointment, the CEO completed an organisational review, which has concluded the need for organisational realignment to support the opportunity with Fynapse and partners.
- The following is being implemented to support this:
    - Strategic refocus and linked objectives aligning the entire organisation to execute on the Fynapse opportunity, mitigating client churn and scaling through partners.
    - Alignment of product and technology with the recent appointment of a Chief Product and Technology Officer.

- Implementation of a global and Fynapse partner led go-to-market team.
- Robust churn mitigation solutions being implemented across the Group.
- Refocus of the partner programme to build stronger and deeper relationships with a smaller number of critical partners to drive velocity of deals.
- Performance management reframed around objectives and key results ('OKRs') supporting the Group's refreshed Fynapse and partner led strategy.

The Fynapse Opportunity:

- Fynapse provides clients with a differentiated offering enabling CFO's to move from closing the books to supporting their full Autonomous Finance vision and subsequent elevation to strategic advisor of the business.
- Fynapse provides organisations with the ability to support this transformation rapidly (months vs. years) and cost effectively when compared to other vendors in the market.
- Fynapse provides Aptitude with an expanded go-to-market opportunity via the ability to continue to serve the Tier 1 market as well as Tier 2 and 3 and additional sector types.
- Fynapse also significantly expands the opportunity with partners as it delivers immediate value to their clients, which opens up multiple channel types, and therefore will drive an increased velocity of deals for the Group.
- Importantly, Fynapse provides a cutting-edge technology foundation that is designed for AI and designed to hold vast quantities of information to support the insights of the CFO
- Underpinning our confidence in long-term growth is the traction Fynapse continues to gain in the market, represented by pipeline progression and the acceleration, and commitment by key partners to jointly go-to-market on their vision for AI Autonomous Finance. As an example, Aptitude and Microsoft continue to build on the existing relationship. Alongside its recently launched Copilot for Finance, Fynapse has been identified as a key component to Microsoft's AI and Autonomous Finance ERP strategy, enabling a single view of business and finance data with high processing speeds, supporting Copilot for Finance. This is expected to support the momentum of our strategy.

Business Highlights in 2023:

- New business success for our market leading Autonomous Finance platform, Fynapse to a first new logo client for a multi-year subscription agreement, complementing the existing Telco charter client.
- Multi-year renewal for Subscription Management offering, eSuite providing complementary revenue stream and cross sale potential.
- Continued new customer momentum with other Compliance and Finance Transformation offerings, including a multi-year agreement to provide the Aptitude Insurance Calculation Engine to a UK government agency.
- A material new multi-year agreement with an existing global Financial Services client to take Aptitude Assure, the Group's recurring managed services solution.

Outlook:

- Fynapse increases Aptitude's go-to-market opportunity but selling a broader platform offering like Fynapse needs alternative skills and business expertise.
- The organisational realignment is expected to be completed across 2024 to ensure the business is fully ready to capitalise on the market opportunity with Fynapse, supported by a more focused partner community.
- We have seen macroeconomic conditions continue to impact churn and investment decisions, resulting in lengthening sales cycles. However, with Fynapse we expect to see this change over time. By expanding our go-to-market approach to include tier 1, 2 and 3 organisations and enhancing our partner channels, this will lead to shorter sales cycles and a stronger flow of business going forward.
- These trends will moderate headline revenue this year and profitability is now expected to be in line with 2023 performance, before returning to more normalised growth in 2025 and beyond.
- Underpinning our confidence in long-term growth is the traction Fynapse continues to gain in the market, represented by pipeline progression and the acceleration, and commitment by key partners, to jointly go-to-market, on their vision for AI Autonomous Finance.

Key Operational and Financial Highlights

- The growth in higher quality, recurring revenues through Fynapse with its cloud native capabilities is also expected over the medium term to generate a progressive margin benefit for the Group.
- As announced separately today, the Group will be conducting a buyback programme of £20 million over a three-year period. The Group's target of incremental profitable growth is expected to drive higher returns for investors in line with the expected growth of Fynapse. The Board view the buyback programme as providing an enhanced capital return to shareholders.
- The expected growth through the combination of the opportunity with Fynapse, its partners, and existing clients, coupled with carefully controlled investment is expected to generate improved returns for shareholders over the coming years.

Throughout this section:

1 Annual Recurring Revenue ('ARR') is the value of Aptitude's recurring revenue at a specific point in time, normalised to a one-year period. ARR includes recurring revenues contracted but yet to commence and excludes recurring revenues which are currently being received but are known to be terminating in the future. Included in ARR are recurring revenues from the Group's solution management services.

2 Constant Currency is calculated by comparing the 2023 results with 2022 results retranslated at the rates of exchange prevailing during 2023.

3 Recurring Revenue includes revenues from the Group's solution management services.

4 Adjusted Operating Profit and Adjusted Operating Margin exclude non-underlying operating items, unless stated to the contrary. Further detail in respect of the non-underlying operating items can be found within Note 2.

5 Net Funds represents cash and cash equivalents less finance obligations, which includes capital lease obligations and a loan.

Certain non-IFRS financial measures (e.g. Adjusted Operating Profit) are included which assist management in comparing performance on a consistent basis.

Chairman’s Statement

Overview

2023 marked the transition to a new management team for Aptitude, with Alex Curran, Chief Executive Officer, and Mike Johns, Chief Financial Officer, both appointed in the year. Alex and Mike were both internal candidates, who have tenure with the business and strong operational and market experience to support the business effectively. Their appointments reflect the strength of Aptitude’s talent management and succession planning.

The team have acted swiftly since their appointments, realigning the Group’s strategy toward the Fynapse opportunity and key strategic partnerships, refreshing the Senior Leadership Team and flattening and globalising the Group’s organisational structure.

The Fynapse platform enables clients to create a truly autonomous finance function, through the provision of a centralised finance data cloud and a rich data foundation for the use of market leading AI tooling, and it is supported by modern engines that offer accounting, subledger and calculation capabilities.

Fynapse will enable Aptitude to move from regulatory and compliance to a platform organisation.

Highlights in 2023 include:

- The first, post charter client sale of Fynapse to a first new logo client with a multi-year subscription agreement
- Meeting key market readiness for our Microsoft partnership with integration to Dynamics 365 and enablement on the Azure cloud platform.
- The go-live of the US telco charter client on Fynapse, providing the organisation with powerful insights, processing power and significant cost efficiencies.

The new Senior Leadership Team will drive an increase in momentum which is reflected in a growing pipeline of Fynapse opportunities and strategic alignment with partners on their vision for Autonomous Finance. This pipeline is further supported by our partner community which provides confidence in the success of the platform over the coming years.

To execute on its strategy and key objectives Aptitude relies on the strength of its people, and I would like to thank our global team for their hard work and dedication during a period of significant change for the Group. The Board is committed to enabling a high-performance culture across Aptitude and supporting the further development of talent in the organisation.

Dividend and Share Buyback

The Board has proposed an unchanged final dividend of 3.60 pence per share (2022: 3.60 pence), making a total ordinary dividend of 5.40 pence per share for the year (2022: 5.40 pence). Subject to shareholder approval at the Group’s Annual General Meeting on 14 May 2024, the proposed final dividend will be paid on 14 June 2024 to shareholders on the register at 24 May 2024.

As announced separately today Aptitude has commenced an on-market share buyback programme of up to £20m over three years in line with the newly adopted capital allocation policy . The buyback programme is in accordance with the Group’s authority to make market purchases of its own Ordinary Shares granted to it by shareholders on 17 May 2023.

Outlook

We believe the Group is well positioned to capitalise on the Fynapse opportunity. Fynapse’s speed of implementation, lower total cost of ownership and flexibility compared with larger ERP products provide a strong foundation for the acceleration of recurring revenue growth and a quicker benefit for our clients.

The strategic partnerships supporting Fynapse also provide Aptitude with the ability to sell through multiple channels to multiple sectors, which in turn will drive a greater velocity of deals.

Additionally, the Group continues to carefully manage its other products against the macro-economic environment as increased levels of churn continue to impact the Groups portfolio of products. This combined with the reduction in implementation services revenues and lengthening of sales cycles will result in lower overall revenues in 2024. Profitability will be in line with the performance in 2023 before returning to growth in 2025 and beyond.

Ivan Martin
Chairman
20 March 2024

Chief Executive Officer’s Report

Strategic Focus and Organisational Progress

2023 represented a year of realignment for Aptitude and a refocus of the Group’s core strategic aims with Fynapse and strategic partners. Underlying Aptitude’s historic success is the Group’s strength in accounting hub and compliance solutions, which provide the organisation with the knowledge, skills, experience and credibility of delivering for the office of the CFO. This experience based on our heritage provides the base for the exciting opportunity ahead with Fynapse, the Group’s intelligent finance data management and accounting platform.

The AI Autonomous Finance opportunity

In the second half of 2023, the Board and Senior Leadership Team conducted a review of the business, which concluded that a realignment and refocus of the organisation around the Fynapse and partner opportunity was required. This reflects the transition away from selling compliance and regulatory software to being a platform organisation and being able to take advantage of the significant AI Autonomous Finance market which Fynapse underpins. To support this transition, we have implemented a global approach to go-to-market designed to drive momentum.

Fynapse underpins AI Autonomous Finance which is a self-learning and self-improving finance function, powered by interoperable AI and cloud technologies. Autonomous Finance is a partner to the finance professional, advising on logical next steps and recommendations based on real data and trends in their organisation. Autonomous Finance frees finance from repetition, transforming the CFO office into a strategic and business enabler.

Investment levels have been maintained for eSuite, the Group’s subscription management solution. eSuite provides a mid-term growth opportunity for the Group, including supplementing the opportunity presented by Fynapse through cross-sell activity and the ability to support complex subscription accounting.

Investment levels across the Group’s compliance products have been managed to support the Group’s existing client base, with a priority placed on client retention and a firm emphasis on the migration to Fynapse.

Organisational realignment to provide ability to realise the opportunity with Fynapse

To support the opportunity with Fynapse and partners, a new and refreshed Senior Leadership Team and associated flattened organisational structure has been implemented across the Group. The new leadership structure includes specific accountable individuals for Product and Technology, Growth, and Client Experience globally. This structure will enable a clear focus on growth, client acquisition and help support to improved long-term retention across the regions the Group operates in. The Group’s Product and Technology functions have also been recently combined supporting an end-to-end design and engineering approach.

Following the launch of the new strategy, the Group adopted a new set of organisational objectives and key results (‘OKRs’), which are regularly monitored by the Board and SLT, and provide the clarity required to support organisational progress. The Group’s primary objectives over the coming years will be to deliver the Fynapse growth opportunity, work towards reducing client churn and scale the organisation through the strength of our key strategic partnerships.

Key Strategic Partners

Partnerships are the key foundation to Aptitude’s scalable growth, and it is a key priority for the Group to increase the proportion of Annual Recurring Revenue (‘ARR’) generated through a more concentrated group of partners. Included within this group is a big-4 accountancy firm, which has developed a managed service offering in partnership with Aptitude and Microsoft.

The opportunity for Fynapse is further expanded by the partnership with Microsoft. This partnership is expected to be an accelerator of growth going forward and allows both Aptitude and Microsoft to present an end-to-end solution to prospects, providing a wider opportunity for Fynapse. Fynapse is the only platform selected by Microsoft which provides subledger functionality to support Dynamics 365. Aptitude has worked with Microsoft to roll out Fynapse sales training to Microsoft’s sales representatives. Microsoft and Aptitude’s Autonomous Finance visions are complementary, and the AI functionality available in Microsoft’s platforms further enable Fynapse’s capabilities and market opportunity for both organisations.

Transitioning SaaS business model with enhanced profitability

The Group continues to target an acceleration in the growth of Annual Recurring Revenue ('ARR') driving an increase in recurring revenues which currently represent 71% (2022: 68%) of overall revenue. The growth through Fynapse, both direct and through partners, will generate higher quality recurring revenues as a result of the cloud native nature of the platform. The increase in higher quality revenues is expected to generate an overall margin benefit to the Group, increased profitability and improved cash conversion.

Software-as-a-Service ('SaaS') ARR now accounts for 46% (2022: 44%) of the Group's total ARR. Fynapse, with its cloud native capabilities is expected to enable higher margins to be achieved compared to the Group's existing SaaS deployed products. The transition to SaaS and improved quality of revenues will be a continuing process over the coming years and ultimately deliver a stronger business.

Current spend on research and development is 24% of revenue (2022: 23%). The Group expenses all research and development through the P&L as incurred, including the entire development of Fynapse.

The combination of growth in higher margin recurring revenues, the refocus of the Group's go-to-market approach through strategic partnerships with Microsoft and others, as well as a controlled and efficient overhead base will drive the increasing profitability of the Group over the coming years.

Products and Services

The Group benefits from its experience of supporting the office of the CFO. The Group has aligned the product set around the Fynapse growth opportunity and will support Aptitude's shift from selling compliance and regulatory software to a platform organisation underpinned by Fynapse.

AI Autonomous Finance and Finance Transformation

AI Autonomous Finance and finance transformation includes both the Fynapse platform and the Aptitude Accounting Hub ('AAH').

Aptitude's vision for Autonomous Finance is of a self-learning, and self-improving, finance function, where tasks are optimized and intelligent, systems are efficient and interoperable, and an enterprise-wide data platform supports real-time insights, enabling finance to be a strategic and trusted advisor to the business.

Fynapse, the Group's intelligent finance data management and accounting platform delivers on Autonomous Finance, with a cloud native, highly performant and modular solution that not only serves operational and regulatory accounting requirements, but also delivers a granular data fabric upon the extendable Fynapse data cloud. Fynapse provides the rich foundation for AI tooling, enabling Aptitude's clients to realise the efficiencies that may be achieved from emerging AI technologies and the Autonomous Finance function.

The Fynapse platform enables the expansion of the go-to-market opportunity for Aptitude moving from compliance and regulations to finance transformation and enabling organisations to create a truly autonomous finance function. It also provides organisations and strategic partners with a differentiated alternative to the ERP vendors through its market leading support of AI for finance, rapid implementation timelines, high volume processing and cutting-edge technology that supports real-time streaming.

Along with the overall Fynapse platform, the Group has initially developed the accounting rules and subledger engines which build upon the successful AAH product and its significant pedigree to centralise, automate and manage operational, management and regulatory accounting and posting into an extendable enterprise subledger.

Fynapse has a low total cost of ownership, with rapid implementation cycles, which make the platform commercially attractive to a wide range of organisations varying in size and sector.

The Group continues strategic investment in Fynapse, with an increasing proportion of overall research and development spend directed toward the platform. The overall cost of our investment in Fynapse increased in 2023 to £6.1 million (2022: £4.9 million) all of which is expensed. The platform nature of Fynapse provides options for the Group in the mid-term, either through the development of new engines with additional functionality, or through strategic acquisitions of supporting functionality.

The Group's strategic focus is the successful execution against the Fynapse opportunity through partnerships, direct sales, and conversions from the existing client base.

The Group signed a strategic partnership with Microsoft in December 2022 to deeply integrate the Fynapse platform with Microsoft Dynamics 365 and operate on the Microsoft Azure cloud platform, which has been completed in 2023. The partnership allows both Aptitude and Microsoft to present a combined end-to-end solution to prospects, increasing competitiveness against vendors providing single stack functionality, as well as strengthening Microsoft's competitive position. The Group's vision for AI

Chief Executive Officer's Report

Autonomous Finance is complementary with Microsoft's investments in AI across its offerings and will further benefit the Fynapse platform and Aptitude's clients.

The Group's charter client was an existing AAH user, and a significant opportunity exists in migrating the Group's current AAH clients to Fynapse, presenting both an upsell opportunity as well as a retention tool. Fynapse will also allow a simplified cross-sell opportunity as additional engine functionality is developed on the platform.

The first new logo direct sale of Fynapse was achieved in 2023 with the sale achieved in a new market for Aptitude, demonstrating the breadth of the opportunity with the platform. The Group looks ahead to 2024 with growing pipeline momentum and an increasingly referenceable offering to prospects.

AAH is the Group's established product which centralises and automates finance, accounting and reporting processes, creating a deep level of operational intelligence for our clients. It also delivers a consolidated, yet highly granular, single view of financial data which enhances business insights to assist decision making.

Subscription Management

eSuite, Aptitude's subscription management tool, is a modular, cloud based end-to-end SaaS solution for large, international, enterprise customers. The application is targeted towards the subscription economy and provides identity management, CRM, automated billing, payment processing, and churn management capabilities, enabling businesses to acquire, monetise and optimise customers subscriptions.

While macroeconomic conditions have had a short-term effect on the predominantly media and publishing dominated eSuite client base, the Group is confident in the mid-term growth opportunity for eSuite. As a result, investment levels in eSuite have been maintained to further strengthen functionality, minimise churn and position the product well as macroeconomic conditions improve. The Group will take a targeted go-to-market approach, prioritising the key media and publishing sectors in line with eSuite's strengths.

Compliance Suite

The compliance suite includes the Aptitude Insurance Calculation Engine ("AICE"), Aptitude RevStream ("AREV"), the Aptitude Revenue Recognition Engine ("ARRE"), the Aptitude Lease Accounting Engine ("ALAE"), Aptitude Calculate ("AC") and the Aptitude Platform ("APT").

The Group has achieved significant historical success with its suite of compliance products. The products have generated a sizeable amount of Annual Recurring Revenue and demonstrated Aptitude's strength and credibility in serving the office of the CFO.

Aptitude's target for the compliance suite is in maintaining client satisfaction, minimising client churn and cross-selling Fynapse. The Group will take an opportunistic go-to-market approach and establish investment at appropriate levels to underpin client satisfaction.

Assure and Implementation Services

Aptitude Assure is a solution management services offering resourced from Aptitude's innovation centre in Poland. This service extends the responsibilities of Aptitude beyond traditional software maintenance services to include those that have typically been performed by the clients' own teams. Beyond extended solution support, Assure includes release management, processing support, client enablement, and solution optimisation through the monitoring of system performance, solution health checks, and office hours for expert advisory. Clients with Assure allow the Group to support client adoption of new product features as offerings evolve and will be of particular importance to Fynapse clients as the product further evolves in future. Assure services are higher margin than traditional implementation services, recurring, and are provided at a lower cost of ownership for the Group's clients.

Aptitude also provides implementation services to its clients, with the scale of such services depending on the nature of the application, the size of the opportunity and the balance of responsibilities between Aptitude and its partners. The Group's services are provided by a significant pool of highly skilled individuals, providing deep domain, technical and functional expertise which is highly valued by our clients and provide a differentiator compared to our competitors.

The business continues to expand the enablement of its partner network to facilitate their ability to implement Aptitude's product suite reliably and efficiently. While it is expected that this enablement will lead to a greater proportion of services being provided by partners, it will also increase the velocity of software through those partnerships. The Group is committed to retaining a high-quality delivery capability in line with client demand to support its clients and partners.

Growth and Client Success

The foundation of Aptitude's strategy for growth is the Fynapse platform. Fynapse presents by far the largest addressable market for all of the Group's products, and as such the Group is restructuring and refocusing its go-to-market and product investment in delivering on this opportunity.

The Group has recently appointed a Chief Revenue Officer to drive a consistent global approach to growth, including expanding Aptitude's successful approach with partners in the US out to other regions. The Group has also adopted a focused go-to-market approach centred on a select number of regions, sectors, and partners in line with the opportunity in those areas.

Also fundamental to Aptitude's growth is the retention of our client base. Gross ARR churn for 2023 was 10% (2022: 7%), with the higher than usual rate affected by the macroeconomic environment, which impacted the Group's predominantly Technology, Media and Telecoms client base in eSuite, AREV and ARRE disproportionately. Mitigation of the gross churn rate is a critical priority in 2024, and the Group has implemented several initiatives, including the acceleration of investment in key product functionality and the enhancement of a data led client health process to assist in churn that has continued.

The Group has also appointed a Chief Client Experience Officer, with ownership of all key touchpoints for a client during their life with Aptitude. The appointment of this end-to-end and globalised role increases organisational visibility and speed in addressing client needs and concerns.

People and Locations

Aptitude has office locations across the UK, US, Poland, Singapore, Australia and Canada, and the Group's two technology centres are based in Poland and the north-west of England. The Group's presence in Poland continues to generate cost advantages for Aptitude. The Group has recently appointed a Chief Product and Technology Officer to provide end-to-end accountability for the design and build of Aptitude's products and enhance collaboration across the Product and Technology teams based across multiple regions.

Aptitude targets a high-performance culture, where individuals can achieve their potential in support of the Group's objectives. Supported by a newly refocused People and Culture team, the Group regularly assesses employees on a performance and potential basis, with an aim to invest in and develop key talent. Through this assessment, the Group is able to retain and develop key talent in support of succession planning, actively manage lower performers to a better outcome and increase efficiency.

Overall headcount decreased 10% to 472 (31 December 2022: 527). The reduction in headcount is a result of cost reduction action taken in 2023 as a result of the final elements of the eSuite integration and organisational restructuring in support of the refocused strategy. The new structure is flatter, with a reduced management layer, and more efficient. Of the total headcount, 281 (2022: 296) are based at the innovation centres and working on the design, implementation, and support of the Group's products. The Group continues to monitor headcount closely, with future roles hired in line with revenue opportunity.

Aptitude takes diversity and inclusion very seriously, especially in relation to reward. The Group intends to implement structural processes to ensure fairness in approach to promotions and compensation in 2024. Additionally, the Group is continuing the Women in Leadership initiative to help attract a diverse range of talent to its leadership roles.

Capital Allocation Policy

Aptitude aims to deliver high returns to shareholders through targeting sustainable profit growth and strong free cash flow. The Group invests in developing its business driven by the opportunity with Fynapse, while maintaining robust liquidity to manage the working capital cycle. Aptitude's capital allocation priorities are as follows

- **Managing working capital** – The first priority of the Group is to maintain sufficient cash reserves to manage the annual working capital cycle, while maintaining appropriate levels of net funds. A level of net cash no less than 1.5 x adjusted EBITDA is the Group's stated minimum.
- **Investment for organic growth** – The Group continues to invest in the organic growth of the business including the need to continue to invest in our people and technology and through capital expenditure where required.
- **Maintenance of the Group's progressive dividend** – The Group is committed to provide progressive dividends to shareholders, and this remains the preferred ongoing method to return cash to shareholders without impacting on the investment required to grow the business
- Enhanced returns to shareholders – As the Group continues to generate excess cash after the above priorities, the Group will look to make enhanced returns to shareholders

Chief Executive Officer's Report

As announced separately today Aptitude has commenced an on-market share buyback programme of up to £20m over three years in line with the newly adopted capital allocation policy. The buyback programme is in accordance with the Group's authority to make market purchases of its own Ordinary Shares granted to it by shareholders on 17 May 2023.

While the above framework is intended to guide decision making for the allocation of capital, the Board may choose to exercise discretion in its application should there be a business requirement.

With the focused strategy, organisational realignment activities combined with a new leadership team, I am confident that Aptitude will capitalise on the significant AI Autonomous Finance market opportunity, that is sponsored by our strategic partners.

This will result in a stronger underlying business and higher quality revenues for the Group through Fynapse.

Alex Curran
Chief Executive Officer
20 March 2024

Group Financial Performance

Revenue

Recurring Revenues

Annual Recurring Revenue ('ARR') grew by 2% on a constant currency basis in the year to £51.1 million at 31 December 2023 (31 December 2022: £50.2 million, restated for the prevailing exchange rate at 31 December 2023).

ARR is the key financial metric for the Group. Included within ARR are Aptitude's annual licence fees and maintenance for its on-premise clients, subscription fees for the Group's SaaS clients and revenues from its Solution Management Service offering ('Aptitude Assure'), this offering contributed ARR at 31 December 2023 of £5.0 million (31 December 2022: £4.3 million).

Net Retention Rate in the year was 98% (2022: 102%), (measured by the total value of on-going ARR at the year-end from clients in place at the start of the year as a percentage of the opening ARR from those clients on a constant currency basis. The Group benefitted from standard inflationary clauses within the majority of its contracts, however, continuing churn, predominantly in Subscription, Billing and Revenue Management, reduced the benefit of these increases.

Recurring revenues recognised in 2023 increased by 6% to £53.4 million (2022: £50.5 million), representing growth of 6%. Recurring revenues are a strategic priority for the Group and now represent 71% of overall revenue (2022: 68%). A key part of the Group's strategy is to increase this percentage whilst maximising the growth rate of Aptitude's ARR, increasing both the overall quality of revenue and operating margin.

Non-Recurring Revenue

Non-recurring revenue, comprised of implementation services, software development and non-recurring software fees which totalled £21.3 million for the year ended 31 December 2023 (2022: £23.9 million) representing an 11% reduction. The reduction in non-recurring revenues is in line with the Group's expectation as it works more closely with its partners in this area.

Research & Development Expenditure

Total expenditure on product management, research & development increased 5% in the year ended 31 December 2023 to £17.8 million (2022: £17.0 million). Research & development costs represent 24% of revenue for the year ended 31 December 2023 (2022: 23%). The Group will carefully monitor research & development spend and ensure that investment is only made in line with the revenue opportunity.

The Board has continued to prudently determine that none of the internal research & development costs incurred during the year meet the criteria for capitalisation. Consequently, these have been expensed as incurred through the income statement.

Operating Profit and Margins

Adjusted Operating Profit for the year ended 31 December 2023 was in line with expectations at £9.7 million (2022: £7.5 million). Adjusted Operating Margin increased to 13% (2022: 10%) following the completion of the integration of the MPP Global acquisition and other cost action taken in the year. Operating profit on a statutory basis was £5.3 million (2022: £3.7 million).

In addition to the cost action outlined above, the Group's evolving revenue mix towards higher recurring revenue generated an incremental margin benefit. The continued success of Fynapse, with its cloud-native capabilities, is expected to further enhance margins.

Foreign Exchange

With 50% (2022: 42%) of the Group's revenues being generated from North American clients, the majority of which are invoiced in US Dollars, the financial results are impacted by changes in the US dollar exchange rate. Aptitude's 2022 revenue and Adjusted Operating Profit would have been reported at £74.2 million and £7.7 million respectively on a constant currency basis (compared to actual result of £74.4 million and £7.5 million). Constant currency is calculated by comparing the 2023 results with 2022 results retranslated at the rates of exchange prevailing during 2023.

Non-Underlying Items

Non-underlying items of £4.4 million (2022: £3.8 million) are principally related to the £0.8 million (2022: £0.4 million) of final integration costs incurred on the MPP Global acquisition, £0.2m of restructuring costs and intangible amortisation of £3.4 million (2022: £3.4 million).

Group Financial Performance

Taxation

The total tax charge before adjusting for the impact of non-underlying and other sundry items of £1.8 million (2022: £1.5 million) represents 18.83% of the Group's profit before tax (2022: 21.08%).

Statutory Results

The Group reported a profit for the year attributable to equity shareholders of £4.1 million (2022: £2.6 million).

Earnings per Share

Adjusted Basic Earnings per Share increased by 37% to 13.6 pence (2022: 9.9 pence) and Basic Earnings per Share increased 60% to 7.2 pence (2022: 4.5 pence).

Dividend

A final ordinary dividend of 3.60 pence per share is proposed (2022: 3.60 pence), making a total ordinary dividend of 5.40 pence per share for the year (2022: 5.40 pence).

Balance Sheet

The Group continues to have a strong balance sheet with net assets at 31 December 2023 of £60.3 million (2022: £60.5 million). Cash at 31 December 2023 was £34.1 million (31 December 2022: £29.2 million) and net funds of £22.7 million (31 December 2022: £15.9 million). Trade receivables (net) at 31 December 2023 increased to £10.3 million (2022: £9.7 million) of which £5.0 million (2022: £4.1 million) were overdue for payment at the year end. Of these overdue balances £3.6 million has been collected at 18 March 2024. DSO (debtor days) increased to 53 at 31 December 2023 (2022: 44). The growth in the Group's Annual Recurring Revenue resulted in deferred income at 31 December 2023 increasing to £31.5 million (2022: £29.6 million).

Mike Johns
Chief Financial Officer
20 March 2024

Non-Financial and Sustainability Information Statement

The following chart summarises where you can find further information on each of the key areas of disclosure required by S414C and s414CB of the Companies Act 2006.

	Related Group policies	Related principal risks	Page
Environmental matters	– Health, safety & environment	– Environmental, social and governance	30
Employees	– Security – People	– People and performance	27
Social matters	– Charitable contributions & social sponsorships	– Environmental, social and governance	30
Human rights	– People – Human rights	– People and performance – Geopolitical risk – Environmental, social and governance	27, 30
Anti-bribery and corruption	– Anti-bribery & corruption	– Environmental, social and governance	30

– Non-financial key performance indicators allow us to assess progress against objectives and monitor the development and performance of specific areas of the business. These are set out on page 51.

– Further information on Group policies can be found on aptitudesoftware.com.

– Full details of the Group's principal risks can be found on pages 27 to 30.

– Disclosures based on the principles of Task Force on Climate-Related Financial Disclosures (TCFD) are detailed on pages 23 to 26.

– Disclosures relating to the gender diversity of the Group can be found on page 15.

Responsible Business Report

Aptitude recognises that it has an important role in creating value for all of its stakeholders, including employees, customers and shareholders. Operating responsibly is a key factor in driving this value creation over the longer term. All members of the Board, together with senior management and the Company Secretary, take an active role in shaping and monitoring the Group's environmental, social and governance ("ESG") activities.

Culture and Values

The Group's core purpose is to provide software solutions that deliver fully autonomous finance to enable its clients to drive growth, efficiency and sustainability. This purpose is at the heart of the Group's stated strategy, vision, mission and corporate values, and is clearly articulated throughout the business. It would not be possible for the Group to achieve this purpose without intelligent, highly skilled and motivated employees. During 2023, we have sought to implement across the business a high-performance culture, marked by unwavering dedication to achieving exceptional results through clear goals, accountability, and a commitment to continuous improvement that influences all our actions. We have also defined the key attitudes which underpin this culture, namely 'win together', 'embrace challenge', 'own it' and 'client & partner driven'. The key attitudes which underpin the culture of the organisation are embedded in objectives and key results ("OKRs") at all levels and feature in the Group's employee reward and recognition processes.

Equality, Diversity and Inclusion

The Group is strongly committed to encouraging equality, diversity and inclusion among our workforce, and eliminating discrimination. Everyone is welcome at Aptitude and we encourage our team members to bring their whole selves to work. Our people are champions of creating a culture of belonging, support and trust and we work with others who are aligned with these values.

We aim for our teams to be truly representative of all sections of society and to ensure that our clients, partners and employees feel they belong, that they're respected and able to always present their authentic self. The Board is mindful of the aims of the Parker Review, the McGregor Smith Review and the FCA Listing Rules recommendation on ethnic diversity, which aim to improve ethnic diversity on Boards. However, we acknowledge that currently our Board does not comply with the recommendations and we recognise that there is always more we can do. This principle of diversity is strongly supported by the Board, who recognise that diversity in its broadest sense, approach and experience are important considerations as part of the selection criteria used to assess candidates to achieve a balanced Board.

We have a zero-tolerance approach against intentional discrimination by anyone at Aptitude. We also expect the same approach from our clients, partners, suppliers and in our communities.

We believe that everyone has a voice at Aptitude and together our diverse voices fuel the very best innovation that is celebrated and admired by others. Creating a culture of belonging, support and trust positively impacts everyone at Aptitude, and we work with clients and partners who share the same values.

Equality, Diversity and Inclusion matters to the Group because it enables us to:

- better understand and meet the needs of our clients, placing us ahead of the competition;
- attract and retain the very best people, supporting them to flourish and fully contribute at work; and
- build on different perspectives and experience to continuously improve and excel at what we do.

The Group's policies remain consistent with the requirements of the Universal Declaration on Human Rights and the spirit of the International Labour Organisation's core labour standards.

The Group has in place a Diversity and Inclusion SteerCo, which is sponsored by the Chief Executive Officer and comprises of employees across our countries of operation. The Diversity and Inclusion SteerCo is focused on driving initiatives to promote the importance of diversity and inclusion across the Aptitude business.

During 2023, the SteerCo focused on initiatives around celebrating women leaders in the organisation, Black History month and Pride month. These initiatives included hosting Women in Leadership forums, which is designed to support women and increase their presence in leadership roles within Aptitude, and Pride Tribes, which allow small groups of women to come together regularly for peer-to-peer mentorship.

In 2024, further activities are planned to celebrate women leaders within the Group. We plan to continue our efforts to increase representation and further embed inclusive behaviours into our ways of working. As part of our plan, our ambition is to further break down barriers to entry and progression. Through increased focus on career development paths, transparent leadership development frameworks, and education, we can ensure our employees have a sense of belonging and can bring their whole selves to the workplace. We give our employees opportunities to grow and contribute, allowing us to strengthen the talent pipeline into leadership positions which will ensure our long-term sustainable growth.

Gender diversity

The following table reports on the gender diversity of the Group's employees on 31 December 2023:

	Board		Executive Management		Total Workforce	
	2023	2022	**2023**	2022	**2023**	2022
Men	**2 (2 senior positions*)**	3 (3 senior positions*)	**8**	6	**318**	368
Women	**3 (2 senior positions*)**	2 (1 senior position*)	**2**	4	**147**	159
Not specified/ prefer not to say	–	–	–	–	**7**	–
Total employees	**5**	5	**10**	10	**472**	527
Men %	**40%**	60%	**80%**	60%	**67%**	70%
Women %	**60%**	40%	**20%**	40%	**31%**	30%

*Senior positions are defined under Listing Rule 9 Annex 2 as CEO, CFO, SID and Chair

As of 31 December 2023, the Board comprised two male Directors (40%) and three female Directors (60%). The Group's executive management consisted of eight men (80%) and two women (20%). Top leadership has been defined as members of the Senior Leadership Team and Extended Senior Leadership Team as these individuals have responsibility for planning, directing and controlling the activities of the Group. Across the overall business 31% of our workforce (147 employees) identified as women, 67% (318 employees) identified as men, and 2% (7 employees) preferred not to self-describe. This ratio is mainly due to the higher proportion of males in some parts of our business. We recognise that the software industry traditionally attracts more male than female employees; therefore, a continuing focus going forward will be to look at opportunities to highlight Aptitude, and the software industry as a whole, as an attractive career choice for women. We are keen supporters of the Women in Tech initiative.

The Board is pleased to confirm that, as at 31 December 2023, it complies with the FCA Listing Rules and FTSE Women Leaders Review's recommendations that the Board consists of at least 40% women and that at least one of its top leadership roles is held by a woman (Alex Curran is the Chief Executive Officer and Barbara Moorhouse is the Senior Independent Director).

The Group has not set itself quantitative targets to increase the gender diversity of its Board and senior management and all appointments will ultimately be made on merit. Every effort is, and will continue to be, made to attract a gender diverse pool of candidates for any senior appointments in order to support and encourage female representation in the Group's leadership team in future years.

Gender pay gap reporting

As the Group has fewer than 250 employees in the United Kingdom, it is not required to publish a gender pay gap report. However, the Group has internal processes to ensure that salary levels and salary increases are fair and comparable for male and female employees in equivalent roles. These processes are overseen by the Executive Directors for the wider workforce, and by the Remuneration Committee for senior management.

The Group undertook a further gender pay gap analysis in 2023, which showed the Group's gender pay gap across the Group's main countries of operation to be in line with and, in some cases, better than its peer group. The Board does not feel that voluntary publication of the Group's gender pay gap will provide meaningful disclosure.

Broader diversity

The Group is committed to understanding the diversity of its workforce beyond gender representation. Aptitude must adhere to regional requirements in terms of how this data is collected and used, and this includes obtaining express permissions from employees in certain countries. The regional distribution of the Group's employees as at 31 December 2023 was as follows: Poland 55%; United Kingdom 27%; North America 13%; Singapore 2%; other regions 3%.

This year, the Board and senior management is pleased to be voluntarily disclose information relating to the ethnicity and disability diversity of the Board and its top leadership team. Nine members responded that they had no disabilities. Four members confirmed that they preferred not to say whether they had any disabilities.

Responsible Business Report

The following table reports on the ethnic diversity of the Board and executive management on 31 December 2023:

	Board	Executive management
White British or other White (including minority-white groups)	5 (100%) (3 senior positions*)	9 (90%)
Other	- (0%)	- (0%)
Not specified/prefer not to say	- (0%)	1 (10%)

*Senior positions are defined under Listing Rule 9 Annex 2 as CEO, CFO, SID and Chair

The Board acknowledges that it doesn't currently include a director from an ethnic background. Any future appointments to the Board will continue to be made on merit, taking into account the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diverse benefits each candidate can bring to the overall Board composition. The Nomination Committee will continue to proactively seek to access and attract a diverse pool of candidates for consideration during the recruitment process.

Employee Health and Wellbeing

At Aptitude we strive to reduce the stigma related to mental ill health. During the 2023, we increased our focus on mental health. This included open conversations, planned campaigns at country and global level, communications from senior leaders and engagement with elected employee representatives. We also collaborated with a specialist neuro-psychologist to develop and deliver a tailored live stream stress management programme for Mental Health Week. The programme was designed to build and maintain a culture that promotes good mental health practices and provide practical steps to reducing the risks of as well as managing stress and burnout.

Our Employee Assistance Programme continues to offer employees free, confidential advice and counselling around the clock on personal, emotional, and work-life issues.

We know that our people thrive when they feel empowered. We recognise that flexibility means different things to different people and have taken a progressive and inclusive approach to flexible working. However we also recognise the importance of interaction and collaboration, and have designed our office spaces accordingly.

Engagement with Suppliers, Customers and other Business Partners

The Group proactively engages with its suppliers, clients, and other business partners on a regular basis, to ensure that relationships function effectively and support the long-term success of the Group. Details of how the Group undertakes this engagement can be found in the Section 172 statement on pages 20 to 22.

Business Ethics

At Aptitude, we have well-established processes to drive ethical business behaviours across the organisation and in our interactions with all our stakeholders. This includes a suite of policies to support strong ethical behaviour in our conduct with each other, our customers and all of our stakeholders.

Aptitude considers that paying tax is part of our corporate responsibility and our contribution in taxes is one of the ways in which we help to build and sustain the economy. Aptitude's tax affairs are overseen by the Audit Committee and monitored by the Board. The Group is committed to ensuring that it pays the appropriate level of taxes, in line with the generation of economic value, in all regions in which it operates. The Group has robust oversight processes on taxation, working with its advisors to ensure responsible compliance with all applicable laws and regulations.

Environment

As a supplier of software solutions, the Group has no manufacturing facilities and its premises exclusively comprise of office spaces. Any obsolete office equipment and computers are resold or recycled to the extent practicable. The Group has recycling facilities in all its offices and use of waste paper is minimised by promoting a paperless process and downloadable software products. The Group recognises that its activities should be carried out in an environmentally friendly manner and therefore aims to:

- comply with relevant environmental legislation;
- reduce waste and, where practicable, re-use and recycle consumables;
- dispose of non-recyclable items in an environmentally friendly manner;
- minimise the consumption of energy and resources in the Group's operations; and

- reduce the environmental impact of the Group's activities and where possible increase the procurement of environmentally friendly products.

While not within the Group's immediate control, the Group also takes into consideration the environmental credentials of data centres and providers of Cloud services when selecting key suppliers.

Energy and Carbon Reporting

The Group is committed to monitoring and reducing its emissions year-on-year and is aware of its reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

2023 performance

The Group calculates its environmental impact across Scope 1, 2 and 3 emissions sources. Emissions are presented on both a location and market basis. On a location basis our Scope 1 and 2 emissions are 163 tCO_2e (2022: 160 tCO_2e), with an increase in natural gas usage being offset by a decrease in electricity usage. Scope 3 emissions are 2,324 tCO_2e (2022: 3,227 tCO_2e), a 28% reduction year-on-year, largely down to a reduction in business travel during the year. The Group calculates and tracks emission intensity metrics (Scope 1 and 2 Location Based) on a revenue basis. Emissions of 2.2 tCO_2e per £1,000,000 turnover are reported for 2023.

2023 reporting methodology

This section has been prepared for the reporting period of 1 January 2023 to 31 December 2023 using the reporting period of January 2022 to December 2022 for comparison, as well as including the greenhouse gas ("GHG") emissions from 2018 to 2022 as a point of reference.

The Group has defined its organisational boundary using an operational control approach. The Group's figures include all sites, excluding data for the Sydney office, on the basis that the site was acquired in late 2023 on a short-term service contract. To allow comparison, we have restated our 2022 emissions to include the previously excluded Warrington office as well as including improved data from our Poland office. For transparency purposes, we were unable to obtain verifiable energy usage data from our Manchester office and have therefore had to use estimated figures.

GHG emissions have been calculated from business activities in accordance with the principles and requirements of the World Resources Institute (WRI) GHG Protocol: A Corporate Accounting and Reporting Standard (revised version) and Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019). We are reporting our Scope 3 emissions for the first time this year, with guidance from the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, as required. In line with the Greenhouse Gas Protocol, we continue to review our reporting in light of any changes in business structure, calculation methodology and the accuracy or availability of data. Scope 3 emissions have been calculated using a hybrid approach with both the average data method and spend data method employed. Emissions have been calculated using the appropriate conversion factors (e.g. DEFRA 2023 and IEA 2023).

Responsible Business Report

Emissions and energy usage from 2018 to 2023

	Global emissions tCO_2e[1]						
Emissions source	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Group YOY**
Natural gas	55	53	33	31	29[5]	80	179%
Company cars[2]	1	2	2	2	0	0	na.
Refrigerant	4	21	3	0	0	0	na.
Total Scope 1	**60**	**76**	**38**	**33**	**29[5]**	**80**	**179%**
Scope 2 (Location based)	418	444	321	252	131[5]	83	-37%
Scope 2 (Market based)		568	366	306	178[5]	115	-35%
Total Scope 1 + 2 Location based	**478**	**520**	**359**	**285**	**160[5]**	**163**	**2%**
Total Scope 1 + 2 Market based		**644**	**404**	**339**	**206[5]**	**195**	**-6%**
Total Scope 3					**3,227[5]**	**2,324**	**-28%**
Total Scope 1, 2 + 3 Location based					**3,387[5]**	**2,486**	**-27%**
Total Scope 1, 2 + 3 Market based					**3,434[5]**	**2,518**	**-27%**
Intensity metric, £m turnover			57.3	59.3	74.4	74.7	–
Normaliser, tCO_2e per £m turnover			**6.3**	**4.8**	**2.1[5]**	**2.2**	**1%**
Total Energy Usage (kWh)[4]				676,626	416,628[5]	615,680	48%

2022 – 2023 Scope 1 and 2 emissions and energy usage comparison

	Global Scope 1 and 2 emissions tCO_2e[1]						
Emissions source	**FY 2022**		**FY 2023**				
	UK	**Global ex UK**	**UK**	**Global ex UK**	**UK YOY**	**Global ex UK YOY**	**Group YOY**
Natural gas	2	27[5]	0	80	-96%	198%	179%
Company cars[2]	–	–	–	–	N/A	N/A	N/A
Refrigerant[3]	–	–	–	–	N/A	N/A	N/A
Total Scope 1	**2**	**27[5]**	**0**	**80**	**-96%**	**198%**	**179%**
Scope 2 (Location based)	13	118[5]	11	72	-17%	-39%	-37%
Scope 2 (Market based)	23	155[5]	19	96	-19%	-38%	-35%
Total Scope 1 + 2 Location based	**15**	**145[5]**	**11**	**152**	**-27%**	**5%**	**2%**
Total Scope 1 + 2 Market based	25	182[5]	19	176	-25%	-3%	-6%
Total Energy Usage (kWh)[4]	75,643	340,984[5]	51,391	564,289	-32%	65%	48%

1 These figures are in CO_2e including GHGs in addition to carbon dioxide and are partially based on the country-specific CO_2 emission factors developed by the International Energy Agency, © OECD/IEA 2023 but the resulting work has been prepared by Aptitude and does not necessarily reflect the views of the International Energy Agency.
2 During 2023 the Group had no company cars in use.
3 No refrigerants were consumed in 2023 (this having been at the discretion of the landlord of the Group's leased offices during 2023).
4 Energy reporting includes kWh from Scope 1 and Scope 2, converting units of measure into kWh if required.
5 Restated – see section on 2023 reporting methodology.

Scope 3 Emissions

During the year we conducted our first full assessment of our value chain emissions, using data from 2022 and then updating our footprint for this year. Our evaluation confirmed that our value chain emissions are significantly greater than our operational carbon footprint, with our Scope 3 emissions accounting for around 90% of our total emissions. The calculation of emissions for our key Scope 3 sources is:

- **Business travel** – using the distance travelled and mode of travel we calculate the emissions associated with our business travel. Emissions factors from DEFRA 2023 were used.
- **Purchased goods and services** – we used purchased data on the amount of spend of services purchased by the Company. EEIO factors were applied to financial spend categories using a spend-based analysis. We included primary data from our supplier on our key data centres when they were available e.g. AWS and Azure.

Scope 3 Emissions tCO_2e				
Category	**Status**	**2023**	**2022**	**Group YOY**
1. Purchased goods and services	Relevant, calculated	900	1,070	-16%
2. Capital goods	Relevant, calculated	197	243	-19%
3. Fuel-and-energy-related activities (not included in Scope 1 or 2)	Relevant, calculated	35	39[5]	-10%
4. Upstream transportation and distribution	Not applicable	–	–	–
5. Waste Generated in Operations	Immaterial	–	–	–
6. Business Travel	Relevant, calculated	1,165	1,811	-36%
7. Employee Commuting	Relevant, calculated	26	64	-59%
8. Upstream Leased Assets	Not applicable	–	–	–
Total upstream Scope 3		**2,346**	**3,251**	**-28%**
9. Downstream Transportation and Distribution	Not applicable	–	–	–
10. Processing of Sold Products	Not applicable	–	–	–
11. Use of Sold Products	Not applicable	–	–	–
12. End-of-Life Treatment of Sold Products	Not applicable	–	–	–
13. Downsteam Leased Assets	Not applicable	–	–	–
14. Franchises	Not applicable	–	–	–
15. Investments	Not applicable	–	–	–
Total Downstream Scope 3		–	–	–
Total Scope 3		**2,324**	**3,227[1]**	**-28%**

1 Restated – see section on 2023 reporting methodology

Engagement with the Group's Stakeholders (Section 172 Statement)

The needs of our stakeholders and the consequences of any decision in the long term are taken into consideration by the Board when carrying out their role. The different interests of stakeholders are considered in the business decisions we make across the Group and are reinforced by the Board. In performing their duties during the year, the Directors have had regard for the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006, namely, to promote the success of the Company for its members as a whole and in doing so having regard to amongst other matters:

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

This duty underpins the Board's decision-making processes and the Group's strategic direction, with due consideration given to the long-term impact of decisions on shareholders, employees, customers and wider stakeholders. Practical measures that the Board takes to engage with the different stakeholder groups and ensure their interests are reflected in decision making are set out in this section.

Workforce engagement

Our people are key to the long-term development of our business. Their engagement and motivation is vital to us fulfilling our purpose, living our values, protecting our culture, and delivering our strategic objectives. The Board is fully committed to ensuring that the opinions of employees across all counties and business areas are regularly sought and factored into its decision-making process. Barbara Moorhouse is the designated independent Non-Executive Director with responsibility for overseeing wider workforce engagement, and employees are able to raise any concerns with her.

The Group has put in place extensive measures to engage with its employees. Through these engagement activities the Board is able to gather opinions and ideas from the wider workforce, identify any communication gaps or common areas of concern and address these through the Group's activities.

The Board receives regular reports on employee matters from the Group's People & Culture team, including information relating to employee satisfaction and engagement, recruitment, retention and training and development.

During 2023, the Board engaged with the workforce through onsite visits to the Group's offices, including all employee face-to-face engagement sessions, one-to-one sessions with Senior Leadership Team members, receipt of presentations and reports from senior management at Board meetings and day-to-day engagement outside of these formal settings.

The Board took into consideration the interests and viewpoints of employees when developing the revised strategy and in approving changes to senior leadership and the organisation structure. A key part of the organisational and strategic changes has been the implementation of an objectives and key results ("OKR") framework for the Group. This work, overseen by the Chief Executive Officer, Alex Curran, has resulted in the implementation of a clear basis for communicating expectations and measuring individual, team and organisational performance. There are regular 'All Hands' communication sessions held to discuss progress against OKRs and other matters.

Shareholder engagement

The Board engages with institutional shareholders on the annual and interim results and on significant matters relating to strategy and governance via a combination of in person meetings and video conference meetings. Regular updates are provided to the Board on the views of the Group's major investors and these are factored into the Board's decision-making process and when providing market communication.

All shareholders are encouraged to submit questions prior to the Annual General Meeting and to lodge their votes ahead of the meeting to ensure that these are counted. The Annual Report is sent to shareholders at least 20 working days before the Annual General Meeting and each issue for consideration at the Annual General Meeting is proposed as a separate resolution. All Directors generally attend the Annual General Meeting.

During 2023, the Group communicated directly with its major investors on the proposed changes to its Executive Directors, enhancement of strategy and to conclude the consultation on the renewal of its Remuneration Policy, which was subsequently approved by shareholders at the 2023 Annual General Meeting. The Board took into consideration the interests and viewpoints of its shareholders when developing the enhanced strategy and in approving changes to Executive Directors.

The Board ensures that the Group's shareholders are treated equally and fairly, regardless of the size of their shareholding or their status as a private or institutional shareholder. The Group provides clear and timely communications to all shareholders in their chosen communication medium, as well as via the Group's website and via a Regulatory News Service. All holders of Ordinary Shares are eligible to receive dividend payments and to vote at general meetings of the Company.

Client engagement

The Group is proactive in engaging directly with its clients to monitor and continually improve its service delivery and client satisfaction. The Board receives monthly reports on client-related matters, including support ticket levels, services delivery and client health reports, which enable it to identify any trends or any areas requiring specific oversight or investment. In the event that any concerns are raised by clients, the Group ensures that these are addressed swiftly and that proactive engagement occurs to ensure high standards of service delivery are maintained.

The Group seeks direct engagement with clients through regular Client Advisory Boards and these directly inform its product development and innovation strategies. The Group also holds CFO forums for prospective and existing clients to actively engage in wide-ranging discussions around pertinent issues, and publishes its Digital CFO magazine offering expert commentary around similar issues. Feedback received from clients through these forums and through regular day-to-day interaction with the Group's client-facing teams were used to inform the Board's decision making process during the year, specifically in relation to the appointment of a Chief Client Experience Officer with overall responsibility for the end-to-end client life cycle, the tightening of client health processes and targeted product investment.

Strategic partner engagement

The Group works with a range of leading organisations to deliver long-term value to its clients, including advisory, consulting, integration and technology providers that bring complementary services and solutions to its client base. The Group engages with its partners through regular product and thought leadership briefings and a comprehensive sales and delivery enablement program. The Board actively encourages feedback from the Group's partner firms on the quality of its services and products to support continuous improvement.

During the year, the Board approved the globalisation of the Partnership team and oversaw further development of Aptitude's strategic partnership with Microsoft. The Group has engaged directly with Microsoft to enable the achievement of key market readiness for Fynapse through a full integration to Microsoft Dynamics 365 and enablement on the Azure cloud platform.

Supplier engagement

The Group engages closely with its suppliers and has internal procedures to ensure that appropriate due diligence is undertaken on these firms. Suppliers are chosen according to their ability to meet the Group's own high standards and to demonstrate values that are consistent with those of the Group. Regular engagement takes place with key suppliers, monitoring their performance against contractual obligations and providing regular feedback in order to foster and support long-term relationships for the benefit of the Group. In the event that delivery standards do not meet the Group's expectations, proactive steps will be taken to communicate and address these directly with the supplier to ensure that there is no detrimental impact upon the Group's activities.

Engagement with the wider community

The Board ensures ethical and responsible decision making by taking into consideration the wider society external to the organisation. The Group is committed to contributing towards the communities in which it operates as a business.

The Group operates a charitable donation scheme whereby it will match the funds raised by employees for specific charities up to £500 (or local equivalent) per event. The Group also supports or organises regular activities to increase awareness and raise funds for its chosen charities. The Group's charitable activities are co-ordinated by its regional social committees and employees are actively encouraged to give their support.

The Group has a written policy on Modern Slavery and Human Trafficking, which is reviewed on an annual basis by the Board and is published on the Group's website.

Engagement with the Group's Stakeholders (Section 172 Statement)

The environment

As a provider of software solutions, the Group's operations have a relatively limited impact on the environment. However, the Board is committed to implementing measures that will result in incremental improvements to the Group's environmental impact, where appropriate.

In accordance with the commitment given in the 2022 annual report, the Group has completed its scope 3 footprint analysis and information on its full carbon footprint is contained in the Responsible Business Report on pages 17 to 19. The Group also reports on its compliance with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"), and this report can be found on page 23.

Maintaining a reputation for high standards of business conduct

The Board is mindful that the continued growth and success of the Group is dependent upon maintaining high standards of business conduct. These high standards underpin the Group's ability to:

- successfully compete within the market, to attract and retain clients, and to service these clients to a high standard;
- attract and retain high quality employees;
- attract investors and to meet their expectations of good governance and sound business conduct; and
- meet the Group's legal and regulatory obligations, and to meet the expectations of relevant regulatory bodies.

This awareness underpins the Group's strategy and is evident throughout the Board's decision-making process. Further information on Aptitude's ethical approach is contained in the Responsible Business report on page 14.

Task Force on Climate-Related Financial Disclosures (TCFD) Report

This is the Group's third year of reporting against the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") and the Board is pleased to have further enhanced this reporting in line with the recommendations. The Board has noted the requirement for mandatory climate-related disclosures arising from the Companies (Strategic Report) (Climate-Related Financial Disclosure) Regulations 2022, as well as FCA Listing Rule 9.8.6R(8). Below we have set out our climate-related financial disclosures fully consistent with 10 of the 11 TCFD recommendations and recommended disclosures as detailed in 'Recommendations of the Task Force on Climate-related Financial Disclosures', 2017, with use of additional guidance from 'Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures', 2021. Set out below are the areas where the Group is consistent with the recommendations, or where it is not fully consistent, how it plans to achieve this:

Recommendation	Recommended disclosures	Reference	Compliance/comments
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Page 23	Fully consistent
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 24	Fully consistent
Strategy Disclose the 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) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Pages 25-26	Fully consistent
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Pages 24-26	Fully consistent
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 24-26	Fully consistent
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Pages 24-26	Fully consistent
	b) Describe the organisation's processes for managing climate-related risks	Pages 24-26	Fully consistent
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Page 24	Fully consistent
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate- related risks and opportunities in line with its strategy and risk management process	Pages 24-25	Fully consistent
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Pages 17-19, 24-26	Fully consistent
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 26	Not consistent. The Group measured its scope 3 emissions for the first time in 2023 and is currently assessing the options for appropriate targets to set on its full emissions footprint.

Governance

Board level

The Board, with support from the Audit Committee, has overall responsibility for the management of climate-related matters, including oversight of climate-related risks and opportunities. The Audit Committee is informed of climate-related risks and opportunities through reporting from management and through the review of its carbon footprint. The Board considers relevant climate-related matters when discussing and guiding the strategy of the Group.

In 2023, climate-related matters, including discussions on emissions and oversight of other key sustainability initiatives, were discussed bi-annually by the Audit Committee and reported to the Board. Sara Dickinson, Non-Executive Director and Chair of the Audit Committee, is the designated Director with responsibility for ensuring that the Board meets its climate-related obligations. The Board is supported and informed on climate-related issues including progress against goals and targets through reporting by the Company Secretary, Executive Directors and the Audit Committee, who monitor these issues.

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Management level

At management level, environmental, social and governance responsibilities, including climate-related matters, sit with the Group's Senior Leadership Team. The Senior Leadership Team is led by Alex Curran, Chief Executive Officer, and is responsible for providing oversight of sustainability initiatives at an operational level. The Senior Leadership Team contributes to the identification, assessment, and mitigation of climate-related risk. The Senior Leadership team is informed about climate-related issues at its meetings through reporting from the Company Secretary.

Risk management

The Group has considered all risk and opportunity categories outlined in the TCFD guidance, including existing and emerging regulatory requirements. However, not all risk categories are applicable or material to the business.

During the year, climate-related risks and opportunities were assessed in the context of the Group's existing risk management processes (as detailed on pages 27-30) to allow for their relative significance to be determined. The climate-related risk assessment has been carried out over the following time horizons:

- **Short-term:** Now to 2025: Aligns with the Group's shortest office leases.
- **Medium-term:** 2025 to 2028: Aligns with the Group's medium-term office leases.
- **Long-term:** 2028 to 2050: Aligns to the UK Government's Net Zero pledge and the longer-term physical impacts of climate change.

When determining the financial impact of our identified climate-related risks, a materiality threshold has been used that is consistent with the external audit materiality level. This level is set as 5% of adjusted profit before tax and all of our identified climate-related risks are estimated to fall below this level. As the Group's operations have a relatively limited impact upon the environment, climate change was not identified as an emerging or material risk in the context of the Group's activities.

The Audit Committee twice yearly reviews and documents principal and emerging risks, including climate change. This assessment takes into consideration the likelihood and potential impact of each risk, allowing the materiality of the risks and opportunities to be determined and identifying those risks which need further investigation. Please see Principal Risks on page 27 for more information on the Group's risk management processes.

Strategy

The Group recognises the significant potential impact of climate change on environmental and economic systems. However, as a technology business, its climate exposure is low and the impact of identified climate-related risks is limited.

Three climate-related scenarios have been selected to understand the impact of climate change on the Group's strategy. The three scenarios have been chosen to provide a variety of situations to which climate change could impact our company and are as follows:

- **Net Zero 2050 (NZE)[1]:** Low carbon scenario that meets the TCFD's requirement of a below 2°C scenario.
- **Stated Policies Scenario (STEPS):** Medium carbon scenario which represents the roll forward of announced policies.
- **RCP 8.5[2]:** High carbon scenario which includes extreme physical climate risks with limited global mitigation.

1 "https://www.iea.org/reports/world-energy-outlook-2023" World Energy Outlook 2023, IEA, Paris
2 IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change

Each of the Group's climate-related risks and opportunities have been analysed and quantified under the three scenarios in line with definitions for risk impact outlined above and the following assumptions and estimates:

1. Impacts are to be considered in the context of the current financial performance and prices.
2. Gross impacts are assumed to occur without the company responding with any mitigation actions, which would reduce the impact of risks.
3. Impacts are modelled to occur in a linear fashion, when in practice dramatic climate-related impacts may occur suddenly after tipping points are breached.
4. The analysis considers each risk and scenario in isolation, when in practice climate-related risks may occur in parallel as part of wider set of potential global impacts.
5. Carbon prices are determined with reference to information from the International Energy Agency.
6. No material change in business model, locations, or operations.

The Group has concluded that the business is resilient to climate change. The need for a fundamental change to business strategy or additional spend as a result of climate change is unlikely to occur. The Group will, however, continue to develop its analysis as new data is made available both internally and externally and it will continue to monitor its climate exposures and action plans through its risk management framework and governance structure.

Climate-related risks

Three climate-related risks that could have a limited financial impact on the organisation have been identified.

Risk	1. Carbon pricing in the value chain	2. Reputational risks linked to sustainability performance & reporting	3. Depending on third parties and technology to decarbonise
Type	Transition (current and emerging regulation)	Transition (market policy and legal)	Transition (technology)
Area	Upstream	Own operations	Upstream and operations
Primary potential financial impact	Increased cost of purchased goods and services	Reputation, higher cost of capital, lower business opportunities	Reputation, higher cost of capital, lower business opportunities
Time horizon	Medium term	Medium term	Medium term
Likelihood	Likely	Likely	Likely
Impact	Low	Low	Low
Location or service most impacted	Purchased goods and services	Across the Group	Across the Group
Metrics used to track risks	Scope 3 emissions	Scope 1 and 2 emissions; external environmental, social and governance ratings.	Scope 1, 2 and 3 emissions.
Risk description and mitigation	The Group carried out a full scope 3 footprint analysis in 2023 to fully understand its upstream emissions exposures. The Group's principal value chain emissions originate from business travel and purchased goods and services. As suppliers come under carbon pricing mechanisms, or carbon border adjustments, this could result in the supplier passing on the added cost from the carbon tax. There is comfort that several of our primary data centres have targets to be net zero by 2040 at the latest, meaning that a significant portion of our scope 3 emissions footprint will be offset with the achievement of these targets. In addition, the Group has already carried out several initiatives to reduce our scope 3 emission exposure. These include hybrid working to reduce commuting emissions, continuing to implement client projects on a remote basis where appropriate, resulting in an ongoing reduction of international travel by employees, and choosing data centres and cloud infrastructure providers that are committed to purchasing electricity from renewable sources. This potential risk would be greater under the Net Zero 2050 scenario.	There is a rising trend from investors, customers and financial institutions of incorporating sustainability criteria into their assessments, with climate change being a major issue. This is likely to be of greater risk under the net zero 2050 scenario. Investors are aligning their portfolios to net zero as well as other environmental, social and governance metrics and companies face disinvestment if plans are insufficient. Our current and potential future customers are increasingly interested to understand our approach to environments, social and governance matters. Currently our lenders have not tied our debt to sustainability criteria but we will continue to monitor this to ensure we are in line with their expectations on climate-related performance. The Group's current debt levels are also relatively low, and debt facilities have been secured in the medium term. We also continue to monitor our clients' and our employees' expectations in this area.	The ability of Aptitude to decarbonise both our operations and supply chain is partially reliant on third-parties and technologies that are still being developed. Our ability to decarbonise our operations is dependent on grid decarbonisation and renewable energy availability. As our office spaces are leased, we cannot install onsite renewable energy but are taking other steps where appropriate to reduce our scope 2 emissions. Decarbonisation of our value chain is reliant on both purchased goods and services and business travel. We are therefore dependent on the actions and progress of our key suppliers to decarbonise the goods and services we procure from them. Reduction in emissions through business travel is also dependent on the technological developments of the aviation industry which is out of our control. However, a high proportion of the Group's data centres already have net zero targets which should mitigate significant value chain emissions exposure. We also have a Group policy on the use and class of flights for business travel which helps reduce emissions from business travel.

The following risks were also identified, but were deemed immaterial:

Physical risks (both acute and chronic physical risks were assessed):

a) Using Munich Re's climate risk tool we have confirmed that none of the Group's existing sites are currently operating in areas of high drought stress or are predicted to be up to 2040 under scenario RCP 8.5. Additionally, water use is not significant to the Group's operations.

b) All of the Group's sites are in areas of a low risk of riverine flooding.

c) Exposure to insurance companies as clients which themselves could be at risk from high pay-outs due to climate-related events, such as storms or flooding.

Task Force on Climate-Related Financial Disclosures (TCFD) Reports

Transitional risks:

d) Exposure to carbon pricing in own operations. As a technology company, the Group's operations are not carbon intensive, which limits its exposure to carbon price risks in its operations.

Climate-related opportunities

The following climate-related opportunities have been identified:

Opportunity	1. Zero emission energy (e.g. self- generation, Renewable Energy Guarantees of Origin and Power Purchasing Agreements)	2. Managing resource efficiency (energy, resource and water efficiencies)
Type	Energy Source	Resource efficiency
Area	Operations	Operations
Primary potential financial impact	Decreased costs	Decreased costs
Time horizon	Medium term	Medium term
Likelihood	Likely	Very likely
Impact	Medium-low	Medium
Location or service most impacted	Office buildings	Office buildings
Metrics used to track risks	% renewable energy usage	Energy and waste consumption
Opportunity description and strategy to capitalise	Transitioning to renewable electricity sources (either via self-generation or through contracted electricity supply from power purchase agreements and Energy Attribute Certificates (EACs)) can help in reducing market-based scope 2 emissions to zero. Investment in self-generation would likely be unfeasible given the Group's relatively short-term lease agreements and energy requirements. We assume the ability to find EAC's at our key offices in the future will be high. In the future, the Group can prioritise office locations with high energy efficiency and access to self-generated renewable energy facilities e.g. solar panels, when looking for new office space. This opportunity will be greater under the Net Zero 2050 scenario.	Improvements of energy efficiency and reduction of energy consumption with the involvement of our landlords will provide opportunities. We have recently signed a new lease for an office space in Poland that is LEED Platinum for building categories such as water and energy efficiency as well as being WELL certified. Going forward the selection of any new or replacement office spaces in the Group's other regions will further take sustainability considerations into account. This opportunity will be greater under the Net Zero 2050 scenario.

Metrics and targets

We report on our Scope 1, 2 and 3 emissions. Our carbon footprint is calculated using methodologies consistent with the Greenhouse Gas (GHG) Protocol: A Corporate Accounting and Reporting Standard, with additional guidance from the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, as required.

The Group recognises that global warming is driving climate change and that governments, industry and society need to act to mitigate the effects. While the Group's carbon emissions are relatively low, the Board remains fully committed to continuing to reduce its scope 1 and scope 2 emissions over time and will seek to do this by actively encouraging its landlords to switch to renewable energy sources and by continuing to consider energy efficiency when selecting any future office premises.

During the year we calculated our first full scope 3 footprint and the results are shown on pages 17 and 19. In 2023, market-based scope 3 accounted for 92% of our total footprint, with business travel (50% of scope 3) and purchased goods and services (39% of scope 3) being the most significant contributors. We calculated all applicable scope 3 categories for both our 2022 and 2023 footprint. Nine scope 3 categories are not applicable to our company. The waste generated in operations category was excluded from our footprint based on immateriality.

Having gained a clearer understanding of our indirect emissions, we are now exploring the possibilities of setting targets aligned to the Science Based Targets initiative (SBTi) criteria. During the year we have worked with an external consultant who has provided us with different options on how we can set targets that contribute to us delivering on reducing our emissions. The Group will continue to monitor closely its emissions. It is currently intended that within a two year timeframe it will externally commit, via the SBTi (or other reputable industry equivalent), to setting a science-based target to become a net zero company by 2050 at the latest (such target shall be aligned to limiting global warming to 1.5°C or less).

Principal Risks

The management of the business and the execution of the Group's strategy are subject to several risks. The Board has delegated authority to the Audit Committee to assess the Group's principal and emerging risks, and the Board takes appropriate steps to monitor and mitigate these risks where feasible.

The Board receives updates on principal and potential emerging risks that could threaten the Group's performance or achievement of its strategic objectives. The Audit Committee identifies areas for internal audit review, where this is felt to be appropriate to help further understand and mitigate areas of risk. Further information on this is contained in the report of the Audit Committee on page 35.

Considering all known risks that have the potential to impact the Group's performance and strategy, the following represents the principal and emerging risks as recognised by the Board as at 20 March 2024 and how these are mitigated:

Principal Risk	Explanation	Mitigating Action
Product	The Group's future performance will depend on the successful development, introduction and market acceptance of new and enhanced products. These products must address the requirements of current and future clients to be able to carry out their key finance and business processes in a cost-effective manner. The products must also respond effectively to industry, regulatory and technological change. Failure to do so may have significant impacts on the current and future profitability of the Group.	The Group has successfully launched and gone live with Fynapse, Aptitude's next generation digital finance platform. Prior to the development and launch of Fynapse, extensive market research and client consultation was conducted, to satisfy the Board that there was sufficient demand in the existing client base and the market generally for the product. The Group has taken steps in 2023 to further develop roadmaps for each of its key products, with close collaboration between the Product and Technology teams. Plans for future products are developed, in close liaison with current and potential clients and partners and through monitoring of changes in the business and regulatory landscape.
Customer experience	The Group's ability to attract and retain clients is dependent on the provision of reliable high-quality products and excellent service. The Group's products are typically critical to our clients' business operations and information systems Failure to provide a good customer experience can result in increased levels of client churn and significantly impact the financial performance and reputation of the Group.	The Group has appointed a Chief Client Experience Officer now responsible for the end-to-end client life cycle including onboarding, integration, implementation, and ongoing Client Support. The Client Experience team employs individuals with specific skills and experiences for their roles, and to provide the best possible support to its customers. Processes are in place to ensure that any service issues are quickly identified and addressed, with internal escalations in place, including to the Board, where appropriate. Development activities include robust software quality reviews and testing processes and any identified issues are addressed efficiently and analysed to seek to avoid reoccurrence.
People and performance	The Group's success greatly depends on its ability to hire, train, retain, manage and motivate employees with the right skills, capabilities and attitudes. Failure to do so could result in a loss of key talent and the Group being unable to effectively manage and expand its business.	The Group is focused on ensuring that the recruitment process is effective in identifying and attracting employees with the right skills and attributes. Our People & Culture team uses a diverse number of sources, searching for candidates from varied backgrounds and ethnicity and with varied core skills. All employees receive regular communication and there is a focus on employee engagement and supporting a strong organisational culture. Employee engagement is overseen by the Senior Independent Director, Barbara Moorhouse, and reported to the Board. Further information on this can be found on page 20.

Principal Risks

Principal Risk	Explanation	Mitigating Action
Key partnerships	Aptitude has in place key partnerships, including with Microsoft and a number of major advisory and systems integrator firms to support in its go to market strategy. During 2023, the Group ensured key market readiness for the Microsoft partnership with a full integration to Microsoft Dynamics 365 and enablement on the Azure cloud platform. Failures in any of these key partnerships can impact the Group financially and reputationally, and negatively impact our clients.	The Group has in place a thorough selection and onboarding process for new partnerships with a focus on organisations that can scale and/or have a track record of successful finance transformation delivery programs. The onboarding process ensures that partners have a good understanding of Aptitude's products and processes across the client engagement lifecycle. Partners are kept up to date through training provided on new product development. The Group has in place a dedicated Partnerships team who work with partners and internal teams to ensure these relationships are optimised and joint goals are realised. Special attention has been allocated to the Microsoft partnership, with oversight from the Partnerships team across go to market, product management and regional alignment of execution. Key integrations have been completed between Fynapse and Microsoft D365, and Fynapse has been made available on Azure and its related marketplace. The Group continues to execute on its roadmap in support of the Microsoft partnership.
Economic conditions	The Group operates in ever changing economic conditions which can impact the demand for and price of its products and the cost of its purchased goods and services. Failure to appropriately manage these impacts can impact on the Group's current and future profitability.	Appropriate commercial arrangements are put in place with customers, including annual licence fees or subscription arrangements to provide resilience against the full effects of market deterioration. The Group is also able to partially mitigate economic risk through operating in multiple geographic regions and across a number of business sectors. The inflationary environment continues to be closely monitored by the Board. Commercial modelling is undertaken to assess the impact of inflationary increases, and the Group is able to reduce the exposure in its client contracts with the majority allowing for inflationary increases to be applied annually.

Principal Risk	Explanation	Mitigating Action
Information security and data privacy	The Group's products require the processing of confidential client data including, for a number of products, material non-public financial data. Additionally, the eSuite product requires processing of client and client subscriber personal data including payment card data. Failure to appropriately protect this data could have significant financial, regulatory and reputational consequences for the Group.	The Group has a strong focus on all aspects of information security – people, processes and technology. The Information Security function is led by the Information Security Officer who reports to a Security Committee comprising of members of senior management and chaired by the CFO. These management and governance layers ensure that the Group's information security posture and tone from the top is of the highest order as required to ensure the security of client data. The Group's culture ensures that employees treat information security as a collective responsibility thereby building a human firewall. Our Information Security Management System (ISMS) is ISO 27001 certified, and we follow formal processes for all aspects of information security including building secure systems to prevent cyber attacks and protect our information security assets, monitoring and detecting threats and responding to the same as well as applying the required governance and compliance processes. We have formal processes for all information security aspects including secure systems build, IT asset management, vulnerability management, cyber threat management, incident response, BCP/DR and personnel security management. In addition to ISO 27001, we also provide SOC1 and SOC2 reports to clients to support client compliance processes for all cloud based/SaaS products. Our information security risk assessment processes and artifacts are frequently refreshed. Risks emanating from new and ever changing risk vectors including global pandemics, cyber warfare, ransomware attacks, changing regulations, sanctions and changes in information security frameworks are assessed and mitigating action plans are formally prepared and presented. These assessments are regularly reviewed by the Information Security Committee. The Board is also provided with regular updates regarding our information security posture and risks. For personal data protection, we have formal privacy and compliance management processes including privacy risk assessment, secure systems build, GDPR and CCPA compliance processes, client data categorization, protection and deletion processes. Where the Group acts as a processor for client personal data, we work closely with clients to ensure compliance with privacy laws. For the Group's products which handle payment card data, we follow required processes to protect such data, and are certified under required compliance standards for card data processing including PCI-DSS.
Banking	The Group has in place a term loan and revolving credit facility with Bank of Ireland (see page 123 for details). Any significant future interest rate changes could impact the cost of borrowing for the Group. Also, the failure of banking counterparties may lead to loss of all or part of cash held with such counterparty.	The Group has in place an interest rate swap to manage its exposure to changes in interest rates. The Group also has significant cash balances and seeks to maximise the interest earned on these (see page 121 for further details). Day-to-day oversight of the Group's banking arrangement is carried out by the Chief Financial Officer and his team. The team also monitors the ongoing solvency of Bank of Ireland and other key banking counterparties.

Principal Risks

Principal Risk	Explanation	Mitigating Action
Geopolitical risk	The Group has operations in a number of countries and seeks to mitigate any risks to its employees arising from conflicts or other geopolitical incidents. As a result of our geographic spread, the Group is exposed to a wide range of political, economic, regulatory, social and tax environments. Policies or laws, involving the countries in which we operate, may change in a manner that may be adverse for the Group, even those with stable political environments.	The Group has in place business contingency plans which are overseen by the Board. These plans are developed on an ongoing basis in readiness for any need to implement. The Group has not been directly impacted by any of the conflicts seen across the globe in 2023. However, the Board recognises that its employees may be indirectly impacted, and provides support through the People & Culture team. The Group is continuing to closely monitor the situation in Ukraine, the Middle East and Taiwan. The business has no facilities or dependencies in those regions, but in view of its mainland Europe operations, business contingency planning has being undertaken to mitigate any potential disruption to the Group's operations that might result should there be an escalation of the Ukraine conflict into other European countries.
Environmental, social and governance	Aptitude is committed to being a responsible business and operate in a sustainable manner for all of our stakeholders. Failure to operate in a way that appropriately manages our impacts on the environment and our communities may negatively impact our reputation as a responsible business.	The Board oversees the steps taken by Aptitude to act responsibly for the environment and our communities. More information on this is found in the Responsible Business Report on page 14.

The Board's ongoing review of emerging potential risks has not identified any beyond those detailed in the preceding table. In undertaking this review of its principal risks, the Board also considered other potential risks and concluded that they were not considered to be principal risks. The Board, with the support of the Audit Committee, will continue to review potential emerging risks, and update its principal risks as necessary.

Corporate Governance Statement

Statement of Compliance

The Group has applied all of the Principles and complied with the Provisions set out in the 2018 UK Corporate Governance Code ("Code") throughout the year ended 31 December 2023, except for the Board composition requirements under Provision 11 for a short transitional period when at least half the Board did not consist of Non-Executive Directors. Full compliance was achieved from 27 July 2023 when Jeremy Suddards stood down from the Board. Further details are provided in this report on page 33. The Code is available to view on the website of the Financial Reporting Council (www.frc.org.uk).

Details of how the Company has complied with the Code are contained in this report, and a summary of compliance with the main principles of the Code is provided in the following table:

Application of the 2018 Corporate Governance Code	
Principles	**Group Compliance Statement**
1. Leadership and Company Purpose	
A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Directors bring a broad range of skills and experience to the Board, as shown by their biographies on the inside of the front cover. The Directors' responsibilities are outlined in the Report of the Directors. The Board meets regularly on a formal basis and for additional ad-hoc meetings as necessary. The Board ensures that appropriate governance mechanisms are in place to support the delivery of the Group's strategy and enable the Board to carry out its role effectively.
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The Group has a clearly articulated corporate purpose, mission, vision and values. The Board oversees the Group's culture to ensures alignment with the corporate purpose, mission, vision and values. The Board reviews the Group's strategy and culture on a regular basis with input from senior management.
C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board reviews the Company's performance against its targets and objectives at each scheduled meeting, with reference to reports and KPIs prepared by management. The principal risks impacting the Company are set out on pages 27 to 30 and steps are in place to monitor and mitigate these risks.
D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	The Chairman and the Executive Directors maintain regular engagement with shareholders through presentations on the annual and interim results and on significant matters relating to strategy and governance and at the Annual General Meeting. In addition, individual meetings are also held with shareholders and potential investors on request, including with other Non-Executive Directors where appropriate. The Remuneration Committee Chair ensures that major investors are actively consulted with on key remuneration matters and responds to any investor questions on remuneration. In addition to its shareholders, the Group's other key stakeholders and steps taken to engage with them are described in the 'Engagement with the Group's Stakeholders' section on page 20. The Audit and Nomination Committee chairs make themselves available to discuss significant matters related to their areas of responsibility, where required.
E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	The Group has in place a suite of policies in line with its values and culture to support its operations. The Board, as a whole, reviews engagement activities with the wider workforce. Barbara Moorhouse is the designated independent Non-Executive Director with responsibility for overseeing wider workforce engagement, and employees are able to raise any concerns with her.
2. Division of Responsibilities	
F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	The Chairman Ivan Martin is responsible for setting the Board's agenda and ensuring that it carries out its duties effectively. He promotes a culture of openness and debate both inside and outside of the boardroom and oversees constructive relations between Executive and Non-Executive Directors. The Chairman is responsible for ensuring that there is effective communication by the Group with its shareholders. In addition, he ensures that the Directors receive accurate, timely and clear information in advance of Board meetings and on an ongoing basis, and gives feedback to Executive Directors and the Company Secretary where appropriate.
G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	The Board consists of three independent Non-Executive Directors (including the Chairman) and two Executive Directors. The Board has included three independent Non-Executive Directors (including the Non-Executive Chairman) during 2023, except for a short time period whilst Board membership was being refreshed. All of the Non-Executive Directors are considered by the Board to be independent of the management of the Group and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. The Executive Directors are responsible for the running of the Group. The Board has included three independent Non-Executive Directors (including the Non-Executive Chairman) at all times during 2023. The responsibilities of the Board as a whole, and the Committees of the Board are available to view on the Investor Relations section of the Group's website.
H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	The letter of appointment of each Non-Executive Director sets out the expected time commitment for them to perform their role, and notes the possibility that additional time may need to be spent at certain times. The other significant commitments of Directors are disclosed in the Annual Report. The effectiveness of the Board and individual Directors is assessed through the annual review of Board effectiveness as described on page 35. Each Non-Executive Director has relevant experience to support the Group's strategy and operations, and all provide challenge and guidance to management. The skills and experience of the Non-Executive Directors are described in their biographies on the inside of the front cover.

Corporate Governance Statement

I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Board is supplied with business reports, management accounts and items for approval prior to each meeting, to ensure that it is able to carry out its role effectively. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with, and to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibility as Directors.
3. Composition, Succession and Evaluation	
J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	The Nomination Committee, comprising all the Non-Executive Directors and chaired by the Non-Executive Chairman, is responsible for identifying and nominating candidates to fill Board vacancies and ensuring that the Board continues to contain appropriate diversity of thought, background and experience. The Nomination Committee also oversees succession plans in place for the Board and Senior Leadership Team. During the year, appointments were made to the positions of CEO and CFO and a number of changes were made to the Senior Leadership Team. A report on the activities of the Nomination Committee in 2023 is on page 33. A report on the Board's approach to Diversity and Inclusion, diversity metrics and activities carried out in 2023 can be found on page 14.
K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	All Directors have relevant business experience, skills and knowledge to perform their duties effectively. New Directors receive an induction on joining the Board, and additional training needs are identified on an ongoing basis and through the annual review of Board effectiveness. Length of service is a specific consideration of the Nomination Committee in its work on succession planning. The Audit Committee had competencies relevant to the sector in which the Group operates, as evidenced by the biographies on the inside of the front cover.
L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	An annual review of the effectiveness of the Board, its Committees, the Directors and the Company Secretary is undertaken, prior to Directors being offered for re-election by shareholders. Details of how this review was conducted in respect of the year ended 31 December 2023 can be found on page 36. The Executive Directors also receive an annual performance appraisal as part of the Management Bonus Scheme. The performance of each Board Committee is reviewed on an annual basis.
4. Audit, Risk and Internal Control	
M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	At each scheduled meeting, the Audit Committee discusses any areas for an internal audit review and considers the findings of any such reviews. The Audit Committee also assesses annually the need for a separate internal audit function, and makes a recommendation to the Board accordingly. The Board continues to be comfortable that no separate internal audit function is required. The Audit Committee monitors and assesses the independence and effectiveness of the external Auditor. The Audit Committee also reviews the integrity of financial and narrative statements and recommends them to the Board for approval. A report on the composition of the Audit Committee and its work in 2023 can be found on page 35.
N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Board considers that the Annual Report and Financial Statements for the year ended 31 December 2023 taken as a whole present a fair, balanced and understandable assessment of the Company's position and prospects. Further information is contained in the report of the Audit Committee on page 35.
O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	The Audit Committee monitors key risk factors impacting the Group, and makes recommendations to the Board on any actions to be taken. A summary of the principal risks impacting the Group are set out on pages 27 to 30.
5. Remuneration	
P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	An updated Remuneration Policy was approved at the 2023 Annual General Meeting. Prior to seeking shareholder approval, the Remuneration Committee reviewed the Remuneration Policy to ensure its alignment to the Group's purpose, values and long-term strategy and consulted with major shareholders on proposed changes. Suitable financial and non-financial objectives, linked to the Group's purpose, values and long-term strategy, are set for Executive Directors and other Senior Leadership Team members and approved by the Remuneration Committee in connection with long-term incentive and annual bonus awards. Further details can be found on pages 50 and 51.
Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Board has delegated responsibility to the Remuneration Committee for setting the remuneration of the Executive Directors and other members of the Senior Leadership Team. Further information is contained in the report of the Remuneration Committee on page 40.
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Remuneration Committee oversees the Remuneration Policy and applies independent judgement when setting objectives for long-term incentive and annual bonus awards linked to Group and individual performance. Further information is contained in the report of the Remuneration Committee on page 40. Annual increases to Non-Executive Directors' fees are approved by the Executive Directors in consideration of salary increases across the wider workforce.

Board of Directors

Function and operation of the Board

The Board of Directors meets regularly to review strategic, operational and financial matters, including proposed acquisitions and divestments, and has a formal schedule of matters reserved to it for decision which is reviewed regularly. It approves the Group's purpose, values and strategy, the interim and annual financial statements, the annual report, the annual financial plan, significant contracts and capital investment in addition to reviewing the effectiveness of the internal control systems and business risks faced by the Group. Where appropriate, it has delegated authority to the Audit, Remuneration and Nomination Committees, and to other committees of Directors. Information is supplied to the Board in advance of meetings and the Chairman ensures that all Directors are properly briefed on the matters being discussed. The Board also receives presentations by members of senior management on different areas of the Group's business.

There are written terms of reference for the Board and its Committees which are available to view on the Group's website and effective communication channels are in place between the Board, senior management and the wider workforce to enable strategic objectives to be clearly communicated and progress against these monitored.

The role of individual Directors

All Directors must act with integrity, lead by example, and promote the Group's culture. The Chairman is responsible for leading the Board, setting its agenda and ensuring its effectiveness. The Chief Executive Officer is responsible for managing the business and the Chief Financial Officer oversees the Group's financial affairs, including any tax and treasury matters, and investor relations activities and supports the Chief Executive Officer in implementing corporate strategy and overseeing operational performance.

Non-Executive Directors are required to allow sufficient time to meet their Board responsibilities and provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. Non-Executive Directors are appointed for specific terms, up to a maximum of three years and re-appointment is not automatic. The Articles of Association require one third of Directors to retire in rotation at each Annual General Meeting, but all Directors voluntarily offer themselves for annual re-election by shareholders. The Board sets out to shareholders in papers accompanying a resolution the reasons why they believe an individual should be elected. The Chairman confirms to shareholders when proposing re-election that the Director's performance remains effective. The Chairman periodically holds meetings with the Non-Executive Directors without the Executive Directors being present in order to provide a forum in which the performance and actions of the executive team and the wider business can be discussed freely.

Barbara Moorhouse is the appointed Senior Independent Non-Executive Director ("SID"). The SID provides a sounding board for the Chairman and serves as an intermediary for the other Directors when necessary. The SID is available to shareholders if they have concerns which contact through the normal channels of the Chairman or the Executive Directors fail to resolve or for which such contact is inappropriate. Led by the SID, the Non-Executive Directors meet without the Chairman at least annually to appraise the Chairman's performance and on such other occasions as are deemed appropriate.

Changes to Directors during the year

Mike Johns was appointed to the Board as Chief Financial Officer on 17 May 2023, having carried out the role of Acting Chief Financial Officer from 24 January 2023. Philip Wood, formerly Deputy Chief Executive Officer and Chief Financial Officer, stood down from the Board on 20 July 2023.

Alex Curran was appointed to the Board as Acting Chief Executive Officer on 12 July 2023, and was appointed Chief Executive Officer on 30 November 2023. Jeremy Suddards, formerly Chief Executive Officer, stood down from the Board on 27 July 2023.

Independence of the Non-Executive Directors

In accordance with the recommendations of the UK Corporate Governance Code, throughout the year a majority of the Board has comprised of independent Non-Executive Directors, except for a short period from when Mike Johns and Alex Curran were appointed to the Board to when Philip Wood and Jeremy Suddards had stood down from the Board.

The Board monitors the independence of the Non-Executive Directors and considers each Non-Executive Director to be independent in character and judgement in accordance with the 2018 Corporate Governance Code. The Board concluded that the independence of the Non-Executive Directors allows them to sufficiently and constructively challenge management and be free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Board Committees

The Board has delegated certain powers to a Nomination Committee, a Remuneration Committee and an Audit Committee. Each of these Committees has written terms of reference which clearly specify their authority and duties and these terms of reference are available on the Group's website. The terms of reference of each Committee are reviewed regularly by the Board to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice.

Nomination Committee

Ivan Martin is Chair of the Nomination Committee. During the year, the Committee also comprised Barbara Moorhouse and Sara Dickinson.

The Nomination Committee meets at least once a year, and its main responsibilities are to:

- review the structure, size and composition of the Board, its Committees and the Senior Leadership Team, including its balance of skills and experience and diversity, and make recommendations to the Board with regard to any changes;
- oversee the process for appointments to the Board and Senior Leadership Team, including the identification and assessment of potential candidates, and making recommendations on new appointments to the Board for approval;

Corporate Governance Statement

- consider succession planning for Directors and Senior Leadership Team members, taking into account the challenges and opportunities facing the Group, and therefore the skills and expertise that are needed now and in the future;
- assess the time commitment required from Non-Executive Directors; and
- oversee the annual Board effectiveness review process.

During the year, the Committee met formally three times, with all members present and a number of ad-hoc meetings and informal discussions were held during the CEO and CFO successor selection process. In addition to this, a separate meeting to review the effectiveness of the Board was also overseen by the Nomination Committee.

During 2023 the Committee:

- recommended to the Board that Alex Curran be appointed as Acting Chief Executive Officer, following Jeremy Suddards stepping down from the CEO role. The Committee subsequently assessed the leadership qualities displayed by Alex in carrying out the Acting CEO role and recommended to the Board that she be appointed to the role of Chief Executive Officer on a permanent basis. In carrying out this assessment, the Committee sought views from shareholders, employees and other key stakeholders. Ultimately the Committee was happy to recommend to the Board Alex's appointment without needing to carry out an external selection process. This recommendation received unanimous Board approval.
- recommended to the Board that Mike Johns be appointed as Acting Chief Financial Officer, following the announcement in January 2023 that Philip Wood would be stepping down as Deputy Chief Executive Officer and Chief Financial Officer. Subsequently, the Committee engaged Erevena, an independent executive search firm, to support in its search for a permanent CFO across a diverse group of internal and external candidates. Ultimately, the Committee determined Mike Johns to be the best candidate for the CFO role, in light of his experience, personal attributes and the internal and external feedback received. Its recommendation for his appointment was unanimously supported by the Board. None of the Board have any connections with Erevena;
- recommended to the Board that Alex Campbell be appointed as Company Secretary in June 2023, initially on a 12-month basis, to replace Georgina Sharley who left the business;
- assessed whether the Board could benefit from additional technical expertise. The Committee recommended that an external technical adviser be engaged to provide support to the Board rather than appointing an additional Non-Executive Director, and this recommendation was approved by the Board;
- carried out a review of the skills of each of the Directors and the independence of each of the Non-Executive Directors, and recommended Directors for election or re-election at the 2023 Annual General Meeting;
- undertook a full review of succession plans for the Executive Directors and Senior Leadership Team, and agreed steps to further strengthen the plans; and
- undertook a structured, internally-led Board effectiveness review. The findings from this review are described on page 35.

The Committee's focus in 2024 will be further developing succession plans for the Executive Directors and Senior Leadership Team. In 2023, a number of Senior Leadership Team members presented to the Board and its Committees on key topics. Opportunities for interactions outside of the Board meeting calendar were also pursued and developed. This will continue to be an area of focus in the future, helping the Board when considering the depth of the Group's succession plans and identifying high-potential individuals.

Although the Company has not adopted a specific diversity policy, the Board and the Committee recognises the importance of promoting all aspects of diversity throughout the Group. When considering any new appointments to the Board and Senior Leadership Team, candidates will continue to be chosen against criteria, including their balance of skills, business experience, independence, qualifications, knowledge, diversity and other factors relevant to the Board operating effectively. Successful candidates are chosen on merit against these criteria, regardless of race, gender or religious beliefs, but every effort is made to ensure that a diverse pool of potential candidates is reached via the recruitment process.

Non-Executive Directors are typically appointed for an initial term of approximately three years and subsequent terms of approximately three years where appropriate. Appointments are subject to annual re-election by shareholders, Details of the Non-Executive Directors' terms of appointment are shown in the table below and copies of the Non-Executive Directors' terms of appointment are available to view at the Company's registered office. The Executive Directors also have in place service contracts without an expiry date, but with notice periods of six months.

	Initial agreement date	Date of appointment	Expiry date of current agreement
Ivan Martin	21 October 2015	1 January 2016	31 December 2024
Barbara Moorhouse	27 February 2017	1 April 2017	1 March 2026
Sara Dickinson	30 September 2021	1 October 2021	1 October 2024

Annual Review of Performance and Effectiveness

The annual review of Board effectiveness for the year ended 31 December 2023 took place on 27 February 2024. The Committee determined that it was appropriate for an internally facilitated review to be undertaken and approved the structure of the review.

The review took the form of a dedicated session held outside of a scheduled Board meeting, with all Directors and the Company Secretary in attendance. At this session, Directors were asked to consider:

- the actions taken in response to the findings from the previous year's Board effectiveness review;
- the strategic decisions taken by the Board and its Committees over the past 12 months, and how effective the Board and its Committees had been in reaching these decisions;
- the collective effectiveness of the Board and its Committees; and
- the individual effectiveness of each Board member. Each Board member was required to leave the room while their own effectiveness was being discussed. The Chairman left the room when his effectiveness was being discussed, and the discussion was overseen by the Senior Independent Director.

Overall, the review concluded that the Board, its Committees and each Director continued to operate effectively.

Specific actions and objectives were identified from the review to further enhance the Board's performance in overseeing the business strategy and the key objectives. The findings from the review will also be considered by the Nomination Committee in Board succession planning.

Annual re-election of Directors

Mike Johns and Alex Curran will be proposed for election as Directors of the Company by shareholders for the first time at the Group's Annual General Meeting ("AGM") on 14 May 2024. In compliance with the 2018 Corporate Governance Code, all other current Directors will submit themselves for re-election.

Remuneration Committee

The Remuneration Committee ensures that remuneration of the Executive Directors and other members of the Senior Leadership Team is fair, proportionate, in line with the Remuneration Policy and is aligned to the strategy and financial performance of the Group.

During the year, the Committee was chaired by Barbara Moorhouse and also comprised Ivan Martin and Sara Dickinson. Details of the Committee's activities during 2023 are contained in the Directors' Remuneration Statement on pages 40 to 44 and the Directors' Remuneration Report on pages 45 to 60.

Audit Committee

The Audit Committee is authorised by the Board to monitor the integrity of the Company's financial statements, oversee the work of the Company's external auditor, RSM UK Audit LLP ("RSM") and ensure their continued effectiveness and independence, ensure that the Annual Report is fair, balanced and understandable and review the effectiveness of the Group's internal financial controls and risk management systems.

The Audit Committee reports to the Board on how it has discharged its responsibilities. This includes identifying the significant issues that it has considered in relation to the financial statements and how these issues are addressed, its assessment of the effectiveness of the external audit process and its recommendation on the reappointment of the Group's external auditors, together with any other issues on which the Board has asked the Audit Committee's opinion.

During the year the Audit Committee was comprised of two members, Sara Dickinson, Committee Chair, and Barbara Moorhouse. In accordance with the recommendations of the 2018 Corporate Governance Code, Ivan Martin is not a member of the Audit Committee, but he does attend meetings as an observer. The qualifications and experience of all Committee members can be found on the inside front cover of the Annual Report. Sara has recent and relevant financial experience through her current role as Chief Financial Officer of a significant global business and the Committee as a whole has competence relevant to the business.

During the year the Committee met three times with all members and the Board chair present. The Executive Directors attended the Audit Committee meetings throughout 2023 by invitation. Further details are set out on page 38.

At its meetings in 2023, the Committee:

- Oversaw the work undertaken by RSM in relation to the audit of the Group's financial statements for the financial year ended 31 December 2022, and considered the conclusions and findings from this work. The significant judgements considered by the Audit Committee in its review of the financial statements are set out below.
- Assessed the performance and independence of RSM, and recommended to shareholders their reappointment at the 2024 Annual General Meeting.
- Reviewed the 2022 Annual Report, determined that it was fair, balanced and understandable, and recommended it for approval by the Board.
- Carried out an assessment of the principal and climate-related risks for disclosure in the 2023 Annual Report, and reviewed these risks during the year to determine that they remained appropriate.
- Identified areas for an internal audit/assurance review, and considered the findings from these reviews. In 2023, reviews were undertaken in relation to certain elements of the financial planning process and roles and responsibilities across teams in relation to software upgrades.
- Reviewed the findings of work to determine scope 3 emissions and the Company's overall carbon footprint, and considered appropriate decarbonisation steps to be taken. Further information on this work is contained in the Responsible Business Report on page 14.
- Reported to the Board on how it has discharged its responsibilities.
- Monitored the integrity of the financial statements of the Group and any formal announcements.
- Reviewed the Group's internal financial controls and internal controls and risk management systems.
- Oversaw any proposed engagement of the external auditor to supply non-audit services. No non-audit services were provided by the external auditor in 2023.

External Auditor

RSM were appointed external auditor and Graham Ricketts was appointed external audit partner on 17 September 2021. External audit partners are rotated every five years in accordance with Auditing Practices Board standards (seven years for subsidiary companies). The Committee intends to comply fully with the FRC Guidance on External Auditors and carry out an audit tender at least every ten years and mandatory rotation at least every 20 years. The Audit Committee meets at least annually with the Group's external auditor without the other Directors present. The external auditor has unrestricted access to the Audit Committee.

The Audit Committee and the Board keep the external auditor's independence under close scrutiny. The Group also receives a formal statement of independence and objectivity from the external auditors each year. The external auditor did not provide any non-audit services in 2023 or the prior year.

To fulfil its responsibility regarding the effectiveness of the external Auditor and oversight of the audit process, principal procedures carried out by the Committee include:

- Review of the relevant skills and experience of the audit partner and team.
- Review of the Auditor's planning report detailing scope of the audit, materiality and identification of areas of audit risk.
- Consideration of formal reports from the Auditor about the audit process, issues which arose during the audit and their resolution, key accounting issues and judgements.
- Consideration of recommendations made by the external Auditor in their management letters and the adequacy of management's response.

Based upon its reviews the Committee has recommended the reappointment of RSM as external Auditor to the Board.

Significant Judgements

The significant judgements considered by the Audit Committee in its review of the financial statements are set out below.

Revenue Recognition

Embedded within the Group's policy on revenue recognition are a number of areas in which management assumptions and estimates are necessary.

These principally comprise:

- the assessment on inception of each contract of whether ongoing contractual obligations, charged as software maintenance, represent a separately distinct performance obligation and promise from the licence;
- the determination of whether these revenues should be recognised over time and the period across which revenue recognition should take place;
- the assessment that development activity, determined as being the most reasonable measure of recognising software revenue, is consistent across the period;
- the evaluation by management on a contract-by-contract basis of where revenue should be constrained to the amount of any amount invoiced and paid. This exists in customers where the product has not yet been deployed into a live client environment and sufficient challenges exist that would cast doubt over future economic benefits being realised by the business;
- whether the entry into annual renewal periods represents a new contract; and
- the evaluation of whether implementation services represent a distinct performance obligation and promise from the licence.

In undertaking their review, the Audit Committee receives both an overview of significant contracts entered into during the course of the year along with a sample of other contracts entered into prior to 2023 which provides the opportunity to discuss the impact and application of each of these assumptions and estimates on the contracts selected. The Audit Committee carefully considered and discussed with the external auditors the revenue recognition on these contracts and concluded that they are satisfied with the accounting treatment.

As part of the Audit Committee's normal activities the Committee was provided with an overview of significant balances, including deferred income, together with the movement on those balances since the previous year end.

The Committee concluded that the recognition of revenue continues to be in line with the Group's accounting policy on revenue recognition.

Annual Goodwill Impairment Review

Goodwill is a material asset on the Group's balance sheet, and it is the Group's policy to annually test the asset for impairment. The judgements in relation to goodwill impairment testing relate to the assumptions applied in calculating the value in use of the Aptitude business. The key assumptions applied in the calculation relate to the future performance expectations of the business. Plans prepared by senior management supporting the future performance expectations used in the calculation were reviewed and approved by the Board. The Audit Committee received a presentation on the outcome of the impairment review performed by senior management. The Audit Committee concluded that there was no requirement to impair the carrying value of goodwill at the year end.

Development Costs

As the Group continues to grow its product suite it incurs a significant level of associated costs which this year totalled £17.8 million. A key area of judgment in respect of development costs is whether any of these meet the criteria set out in IAS 38 for capitalisation.

The Audit Committee received a presentation from management outlining the review performed on all development costs incurred during the year against the relevant criteria and concluded that no capitalisation was required.

Tax

The Group operates in a number of territories which increases the complexity of the Group's tax affairs. Senior management provide regular updates of the Group's tax status to the Board and Audit Committee for consideration. The Group continues to assess the risk that some elements of its supplies in certain USA states would have been subject to sales tax in previous periods as a result of recent changes in the interpretation and application of sales tax regulations in the USA. The business continues to work with its external advisors on ensuring it applies sales tax to any new contracts in the USA where required. In all other aspects the Audit Committee is currently satisfied with the tax position of the Group.

Internal Audit

The Audit Committee, with engagement from the wider Board and senior management, determines those areas of focus requiring specific internal audit review. Specialist external organisations with relevant experience are engaged where necessary to support in internal audit reviews, who can bring independence and wider industry knowledge to the reviews. The results of all internal audit work undertaken are presented to the Audit Committee.

Corporate Governance Statement

Overall, the Committee has been comfortable with the processes in relation to identifying areas for assurance review, undertaking reviews and following up and resolving any findings. The Committee continues to believe that a separate internal audit function is not required and has recommended this to the Board. The Board has approved this recommendation.

Accounting Standards

There have not been any new accounting standards effective during the year which had any significant impact on the Group's accounting policies and disclosures in these financial statements. The Audit Committee continues to monitor the application of relevant accounting standards to the Group including standards which are not yet effective, engaging with the external auditors on this subject as appropriate. None of the new standards which are effective for periods beginning after 1 January 2024 are expected to have a significant effect on the consolidated financial statements of the Group.

Audit Committee evaluation

During the year, as part of the review of Board effectiveness overseen by the Nomination Committee, the Committee carried out an evaluation of its effectiveness and concluded that it continued to carry out its role effectively.

Board Attendance

Details of the number of meetings of the Board and its Committees and individual attendances by Directors and Committee members are set out in the table below.

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings held in 2023	9	3	7	3
Alex Curran (appointed 12 July 2023*)	4/4	N/A	N/A	N/A
Sara Dickinson	9/9	3/3	7/7	3/3
Mike Johns (appointed 17 May 2023*)	5/5	N/A	N/A	N/A
Ivan Martin	9/9	N/A	7/7	3/3
Barbara Moorhouse	9/9	3/3	7/7	3/3
Jeremy Suddards (resigned on 27 July 2023*)	5/6	N/A	N/A	N/A
Philip Wood (resigned on 20 July 2023*)	4/5	N/A	N/A	N/A

* Where a Director has been appointed or resigned during the year, attendance is shown in relation to those meetings held during the year post the appointment date and prior to the resignation date. Philip Wood and Jeremy Suddards were unable to attend the Board meetings in June and July respectively due to scheduling clashes.

Executive Directors attended some committee meetings, and the Chair attended the Audit Committee, by invitation. These attendances are not shown in the above table.

During the year, a total of 11 additional Board meetings and 11 additional Board Committee meetings were also held for the purpose of discussing ad-hoc or time sensitive matters. These meetings are not included in the above figures.

Management Meetings

The Group's Senior Leadership Team is chaired by Alex Curran, Chief Executive Officer, and meets on a weekly basis to discuss operational matters, business performance, employee matters, financial position and key developments.

Capital Structure

The information required pursuant to the Disclosure Guidance and Transparency Rules is detailed on page 65.

Social, Ethical and Environmental Risks

The Board takes regular account of the significance of social, environmental and ethical ("SEE") matters to the Group's business of providing software and services.

The Board considers that it has received adequate information to enable it to assess any significant risks to the Company's short-term and long-term value arising from SEE matters and has concluded that the risks associated with SEE matters are minimal. The Board will continue to monitor those risks on an ongoing basis and will implement appropriate policies and procedures if those risks become significant.

Internal Control

The Group maintains an ongoing process in respect of internal control to safeguard shareholders' investments and the Group's assets and to facilitate the effective and efficient operation of the Group.

These processes enable the Group to respond appropriately (in accordance with the Code), and in a timely fashion, to significant business, operational, financial, compliance and other risks, which may otherwise prevent the achievement of the Group's objectives.

The Group recognises that it operates in a competitive market that can be affected by factors and events outside its control. Details of the principal risks identified by the Group are set out in the table on pages 27 to 30. The Group is committed to mitigating risks arising wherever possible and reviews the risks impacting the business on an ongoing basis. The Board considers that internal controls, rigorously applied and monitored, are an essential tool in mitigating risks.

The key elements of the Group's internal control framework, which have been effective during 2023 and up to the date of approval of these financial statements, are:

- the existence of a clear organisational structure with defined lines of responsibility and delegation of authority from the Board to its Executive Directors and operating businesses;
- a procedure for the regular review of business issues and risks by the operating business;
- a planning and management reporting system operated by the operating business and the Executive Directors; and
- the establishment of prudent operating and financial policies.

The Directors have overall responsibility for establishing financial and other reporting procedures to provide them with a reasonable basis on which to make proper judgements as to the financial position and prospects of the Group, and have responsibility for establishing the Group's systems of internal control and for monitoring their effectiveness.

The Group's systems are designed to provide Directors with reasonable assurance that physical and financial assets are safeguarded, transactions are authorised and properly recorded, and material errors and irregularities are either prevented or detected with minimum delay. However, systems of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the systems of internal financial control include:

- financial planning process with an annual financial plan approved by the Board. The plan is regularly updated providing an updated forecast for the year;
- monthly comparison of actual results against plan;
- written procedures detailing operational and financial internal control policies which are reviewed on a regular basis;
- regular reporting to the Board on tax, treasury and legal matters;
- defined investment control guidelines and procedures; and
- periodic reviews by the Audit Committee of the Group's systems and procedures.

Most of the Group's financial and management information is processed and stored on computer systems. The Group is dependent on systems that require sophisticated computer networks. The Group has established controls and procedures over the security of data held on such systems, including business continuity arrangements.

Controls in respect of financial reporting and the production of the consolidated financial statements are well established. Group accounting policies are consistently applied and review and reconciliation controls operate effectively. Standard reporting packages are used by all Group entities to ensure consistent and standard information is available for the production of the consolidated financial statements.

On behalf of the Board, the Audit Committee has reviewed the key risks facing the Group, and the operation and effectiveness of its framework of internal control for the year ended 31 December 2023, and up to the date of approval of the Annual Report.

Directors’ Remuneration Statement

Introduction

On behalf of the Board, I am pleased to present the report from the Remuneration Committee (the “Committee”) for the year ended 31 December 2023. This report describes the Committee’s activities and decisions in 2023 and describes how the Committee proposes to implement the Directors’ Remuneration Policy (“Policy”) in 2024.

Our Directors’ Remuneration Policy

A revised Directors’ Remuneration Policy was approved by shareholders at the Company’s 2023 Annual General Meeting (“AGM”) with over 96% of votes cast in favour of it. The Committee is pleased with the engagement with shareholders through the consultation process and in voting for the revised Policy. The Company also received strong support from shareholders for the Annual Report on Remuneration at the 2023 AGM, with over 98% of votes received in favour of the report.

It was determined that the previous Policy was broadly fit for purpose and therefore only a small number of changes were proposed, to ensure that the Committee retained sufficient flexibility to attract, retain and incentivise high calibre individuals. A key change gives the Committee additional headroom under the Management Bonus and Performance Share Plan. The Committee did not utilise this additional headroom in 2023 and has no current intention to do so in 2024.

Business context and wider workforce remuneration

2023 was a year of significant strategic importance for Aptitude. As reported in the Chairman’s Statement and Chief Executive Officer’s Report, the year saw the Group refocus its strategy around Fynapse and its core products, implement a globalised organisation structure with a specific focus on growth and client experience, make changes to the executive directorship and put in place a new Senior Leadership Team (“SLT”). Work on implementing the refocused strategy will continue in 2024. The composition of our SLT now truly reflects Aptitude as an international group, and has representation from across our countries of operation. The ability of the Group to attract, retain and promote the right talent across countries has been strongly supported by the changes made to the Remuneration Policy in 2023.

Aptitude offers all employees a remuneration package that consists of salary and benefits, annual bonus and, in some cases, long-term incentives. The Group, with the Committee’s oversight, offers salaries and awards salary increases reflecting the role, individual performance and local market conditions. The Group also offers all of its employees a comprehensive range of retirement, healthcare and other benefits.

All permanent employees of the Group participate in one of the bonus schemes in operation, namely the Management Bonus Scheme, Sales Commission Plans, the Consultants’ Bonus Scheme, the Variable Compensation Scheme and the Annual Profit Share Bonus Plan. All employees are invited annually to participate in our sharesave schemes and potentially benefit from an increase in Aptitude’s share price at the end of the term.

The Committee maintains its focus on ensuring that key employees are appropriately incentivised over the longer term. There is engagement with the workforce on remuneration and benefits through all-hands meetings, and in individual discussions with managers. In consideration of comments received from our workforce, awards of restricted stock units (“RSUs”) were introduced in 2023 to key individuals outside of the SLT. These awards provide a clearer means of providing longer term incentives to international employees, whilst retaining the link to overall corporate performance by being awarded in shares - further information is provided on pages 41 and 42. The Committee will continue to grant long term incentives to Executive Directors and SLT members in the form of Performance Share Plan (“PSP”) awards, as it is appropriate for the potential total reward of these individuals to be specifically linked to the generation of shareholder value.

Approach to executive remuneration in 2023

Salaries

Alex Curran was appointed to the Board as Acting Chief Executive Officer on 12 July 2023 with a salary of US$358,000. This salary was subsequently increased to US$450,000 on Alex’s appointment as Chief Executive Officer on a permanent basis on 30 November 2023. This appointment followed the Board’s assessment of her strong performance in the Acting Chief Executive Officer role and positive feedback received from shareholders and other stakeholders. The Committee determined an appropriate salary with reference to comparable companies of similar market capitalisations, Alex’s level of performance in the Acting Chief Executive Officer role and other salary levels across the business. Mike Johns was appointed to the Board as Chief Financial Officer on 17 May 2023, with a salary of £175,000, significantly below the salary applying to his predecessor.

Philip Wood, formerly Deputy Chief Executive Officer and Chief Financial Officer, did not receive a salary increase in 2023, and received a pro-rated salary in line with his reduced time commitment during the six month period of notice until his departure from the business on 29 July 2023. As disclosed in the 2022 Remuneration Report, Jeremy Suddards' salary was increased to £326,970 with effect from 1 April 2023 remaining at this level until his departure from the business on 31 July 2023.

The Group's approach to Executive Director salaries for 2024 is discussed on page 42.

Variable remuneration outcomes:

The overall performance of the Group in 2023 is discussed in the Strategic Report on pages 2 to 12.

Management Bonus Scheme

The Policy approved by shareholders at the 2023 AGM permitted the award of a bonus opportunity of up to 150% of salary. However, as we referred to in the 2022 Directors' Remuneration Report, we did not utilise this headroom in 2023.

On their appointments to the Board, the Committee determined that Mike Johns and Alex Curran would be eligible to earn bonuses for 2023 of up to 80% of salary, subject to performance against specific financial and non-financial metrics, which is below the established 125% of salary limit in the Policy. The Committee subsequently agreed that Alex Curran would also be eligible to earn up to an additional US$50,000 specifically linked to the performance in the Chief Executive Role in the second half of 2023.

As in previous years, the Committee determined that 75% of the bonus opportunity for each Executive Director would be based on performance against financial metrics, with the remaining 25% based on non-financial objectives specific to each individual. In the case of the bonus opportunities of up to 80% of salary, the financial metrics were based on a combination of Annual Recurring Revenue ("ARR") and Adjusted Operating Profit (with a 50:50 weighting). In the case of Alex Curran's bonus opportunity of up to $50,000 linked to her Chief Executive Officer role, the financial measure was based solely on ARR.

In assessing the bonus outturns for 2023, the Committee determined that the initial bonus opportunities set for Mike Johns and Alex Curran would be reduced by half and based on performance in the second half of 2023. No reduction was made to the additional $50,000 bonus opportunity to Alex Curran as this already related to second-half performance. Consistent with the approach adopted for the wider leadership team and other employees participating in bonus arrangements, the financial targets for Mike and Alex were re-set by reference to performance in the second half, with an appropriate level of stretch.

Details of the performance measures set for the year and the achievements against them are disclosed on page 51. On the basis of the achievements against the objectives set Mike Johns earned a bonus of £14,577 and Alex Curran earned a bonus of £30,428.

20% of the total bonus payments to Alex Curran and Mike Johns will be paid in the form of shares deferred for a period of two years, ensuring longer term alignment with the interests of shareholders.

Neither Jeremy Suddards nor Philip Wood received a bonus payment for the year ended 31 December 2023.

Performance Share Plan ("PSP") awards granted in 2023

Under the changes to the Policy agreed in 2023, the maximum PSP award for each Executive Director was increased from 125% to 150% of salary, with the Committee having the ability to make awards of up to 200% of salary in exceptional circumstance. The Committee did not utilise the additional headroom in 2023, nor does it have any intention to do so in 2024.

PSP awards were made to Alex Curran and Mike Johns on 6 September 2023 at 125% of salary (in line with our usual level of grant under the Policy), equal to awards over 121,215 shares and 74,659 shares respectively. The Committee believed that awards at this level were appropriate given the changes in the Company leadership and the overall incentive levels across the various elements of the Executive Directors' remuneration packages. The Committee retains the discretion to adjust the vesting outturns for these awards having regard to overall Company performance, the wider stakeholder experience, and the outcome of prior year PSP schemes.

The performance conditions for the awards granted in 2023 are 75% attributable to relative TSR and 25% attributable to EPS growth, which is consistent with the approach taken in 2022. The rationale for the 75:25 weighting is to align the 2023 performance measures with the Group's strategic focus of maximising revenue growth in order to support long term growth in the Group's share price. Details of the performance measures are set out on page 50. EPS will be assessed for 2025, being the final year of the EPS performance period. TSR will be assessed over three years from the date of grant of the awards. The awards will be subject to a two year holding period following the Committee's determination of vesting at the end of the TSR performance period.

Vesting of Performance Share Plan awards

The PSP awards granted on 7 September 2020 were subject to a three year TSR only performance condition which ended on 7 September 2023. The Remuneration Committee confirmed that these awards achieved nil vesting, as the Company's TSR in the performance period was below the median of the constituents of the FTSE SmallCap Index (excluding investment trusts).

Directors' Remuneration Statement

Stakeholder engagement

The Committee engages with and seeks the views of its key stakeholders, in particular shareholder groups and employees. During 2023, the Committee concluded its consultation with major shareholders and proxy advisors on the proposed changes to the Policy. The Chair of the Remuneration Committee, with the support of the Company Secretary, also engaged with a number of shareholder groups on matters relating to the Group's approach to executive remuneration. The views of these groups were taken into consideration when proposing changes to the Policy to the 2023 AGM.

As a result of active engagement with employees, the Committee approved making long term incentive awards in 2023 in the form of restricted stock units ("RSUs") to key individuals outside of the Senior Leadership Team ("SLT"). These awards are in addition to the PSP awards that will continue to be made to Executive Directors and SLT members. The feedback received had been that RSUs would provide a clearer means of awarding longer term incentives to international employees across the Group.

The communication with employees around the launch of the RSU scheme has provided a helpful basis for senior leadership, with support from the Committee, to engage with key members of the international workforce on the linkage between strategy, business operations and the expectations of investors in UK listed companies. The Committee has continued to engage directly with Executive Directors and SLT members on matters relating to their remuneration and the remuneration of the wider workforce. In turn, the Executive Directors and SLT members engage with the wider workforce through individual and team sessions to communicate on performance and remuneration outcomes. Regular empolyee surveys are used to seek feedback from the wider workforce on a range of satisfaction measures, including pay and benefits, and relevant feedback is shared with the Committee.

Approach to Executive Director remuneration in 2024

The Group's approach to Executive remuneration in 2024 will be in line with the Policy and in accordance with the recommendations of the 2018 UK Corporate Governance Code, as follows:

Executive Director base salaries

In line with policy across the organisation, the Committee reviews the level of base salaries for Executive Directors annually. The review takes account of business context, personal performance and relative salary data both internal and external to the organisation. Taking account of business performance and expected progress against the refreshed business strategy, the Committee has agreed with Alex Curran that her salary be reduced by c11% to US$400,000 from 1 April 2024. Mike Johns' salary for 2024 will remain at £175,000, the level at which it was set when he was appointed to the Board.

For all our employees, including the Executive Directors, the Committee maintains a watching brief on the competitiveness of base salary levels and, should these become misaligned, may look to review and address these, subject to corporate and individual performance.

Retirement benefits

Pension contributions for Executive Directors remain at 6% of salary in accordance with the Directors' Remuneration Policy, a level which is consistent with pension contributions provided to the wider workforce.

Management Bonus Scheme

For 2024, the maximum bonus opportunity for Executive Directors will be 125% of salary, which is in line with our normal practice. The level of bonuses earned will be subject to the achievement of appropriate performance measures. 75% of the opportunity will be based on financial performance measures (expected to be based on Operating Profit, Annual Recurring Revenue and Revenue with an equal weighting) and 25% on non-financial measures linked to the delivery of the Group's key strategic goals. In order to underpin the importance of in year revenue growth in driving overall profitability, Revenue has been added as a specific financial performance measure for the first time. The payment of any bonus in respect of non-financial measures will be conditional on the achievement of a financial underpin. A bonus deferral mechanism will continue to be applied, meaning that 20% of any bonus payment earned will be subject to a deferral period of two years and payable in shares.

PSP awards

The maximum PSP opportunity will be 125% of salary, in line with 2023. We will grant PSP awards after the release of the half yearly results and will have regard to share price performance and other relevant factors when confirming the grants.

The performance measures will include a relative TSR measure for at least 50% of the award and at least one other financial metric, such as EPS. The TSR measure will compare the Group's TSR performance against a comparator group consisting of the FTSE SmallCap Index (excluding investment trusts) over a three year period from the date of grant, with 25% vesting for median performance rising to 100% for upper-quartile performance. The weighting of the performance measures and the performance targets for the other financial metric will be disclosed both at grant and in the 2024 Directors' Remuneration Report.

Looking ahead – key focus areas for the Committee for 2024

During 2024, the Committee will continue to monitor and review our remuneration approach to ensure that it best supports the areas of strategic focus of the business. The Committee will also continue to oversee the application of the Remuneration Policy to ensure that Aptitude can continue to attract and retain high calibre individuals across its countries of operation in challenging global economic conditions which impact both companies and employees.

In 2024, the Committee will continue to oversee the overall remuneration for members of the SLT and other key employees. Following the introduction of RSUs in 2023, the Committee now has greater flexibility in making long-term incentive awards to key employees outside the SLT. The Committee will oversee a thorough review of the proposed RSU awards in 2024 to ensure alignment with the strategic priorities of the business. The Committee will also oversee the communication of these awards to ensure that the structure of the scheme and potential benefits are clearly understood by recipients across countries.

Reporting and policy requirements

This report comprises:

Part A being a summary of the Directors' Remuneration Policy as approved by shareholders at the 2023 Annual General Meeting (which will not be subject to approval at the 2024 AGM); and

Part B being the Annual Report on Remuneration, which provides details of the remuneration to Directors in respect of the year ended 31 December 2023. This will be subject to an advisory vote at the 2024 AGM.

Compliance

This report (comprising this introduction and Parts A and B) has been prepared in accordance with the Companies Act 2006 and The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. It also meets the requirements of the FCA's Listing Rules and the Disclosure and Transparency Rules. The Committee has further adopted the principles of good governance as set out in the 2018 version of the UK Corporate Governance Code, in respect of the year ended 31 December 2023.

The Group employs fewer than 250 employees in the United Kingdom and accordingly is not required to disclose a Chief Executive Officer ("CEO") pay ratio calculation. Given that most of its workforce is outside of the UK, the Group considers that the voluntary publication of such a calculation would not provide a meaningful disclosure. However, in light of the salary level of the current CEO compared to her predecessor and overall salary levels across the business, the Committee continues to conclude that the CEO pay ratio would be below median in comparison to its peer group.

The Group has internal processes in place to ensure that pay levels across the Group are fair in relation to industry levels, role type and gender of employee. Further details on the Group's approach to diversity and inclusion can be found on page 14.

Information in relation to wider workforce remuneration is provided to the Committee in order that its decisions on remuneration for Executive Directors and senior management are taken in the context of wider workforce pay.

How the Committee has addressed Provision 40 of the UK Corporate Governance Code

Clarity

Performance metrics and personal objectives for the executive team reflect the Group's targets and strategic objectives and performance against these is scrutinised by the Committee. A balance is thereby achieved between the interests of the Group's shareholders, its wider stakeholders and incentivising the executive team. The introduction of RSUs in 2023 has enabled greater clarity in the communication of long-term incentives to key employees across countries.

Simplicity

The elements of the Group's executive remuneration packages are clearly communicated internally and externally and are in line with accepted market practice, avoiding unnecessary complexities and ensuring transparency. The introduction of RSUs in 2023 has added further simplicity to Aptitude's long-term incentive arrangements.

Risk

Performance metrics and personal objectives are set at levels that are considered stretching but achievable.

Remuneration packages are reviewed by the Committee to ensure that these are market-competitive and allow the Group to attract and retain talented employees with the skills and capabilities that are necessary to drive forward the growth and success of the Group.

In relation to Executive Directors. PSP awards are subject to a two-year holding period following the conclusion of the three-year performance period, in-service and post-employment shareholding guidelines and a bonus deferral arrangement are in place to support long term engagement and discourage short-termism.

Predictability

The Committee carefully considers the potential overall remuneration that may be earned by the Executive Directors to ensure alignment to performance.

Proportionality

Individual remuneration reflects Group objectives but is dependent on the profitability of the Group and is appropriately balanced against risk considerations. Potential rewards are market competitive and the Committee is comfortable that the range of potential out-turns are appropriate and reasonable. The vesting of PSP awards is subject to a financial underpin and the Committee has the ability to vary any formulaic vesting outcomes. The Committee also has discretion to reduce the level of vesting of RSU awards in light of an assessment of Company performance against a number of criteria.

Salary reviews are considered in the context of those being awarded to the wider workforce. Pension arrangements are also in line with the wider workforce.

Alignment to culture

Performance metrics and personal objectives are intentionally aligned with the Group's corporate purpose, values and strategic objectives. These values are embedded in the remuneration arrangements for all levels of the organisation in order to support the collective delivery of the Group's strategy.

Directors' Remuneration Report

A. DIRECTORS' REMUNERATION POLICY ("POLICY")

The Company's Directors' Remuneration Policy was approved by shareholders at the 2023 Annual General Meeting. A summary of the Policy for the Executive Directors, Chairman and Non-Executive Directors is set out below.

The entire Policy, as approved by shareholders, may be found on the Group's website at https://www.aptitudesoftware.com/wp-content/uploads/Annual-Report-2022.pdf on pages 58 to 66.

This part of the Report is unaudited.

Remuneration policy for Executive Directors

Executive Directors' Policy Table

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Basic salary To pay a competitive basic salary to attract, retain and motivate the talent required to operate and develop the Group's businesses and to develop and deliver the Group's strategy.	Basic salaries are ordinarily reviewed on an annual basis taking into account a number of factors including (but not limited to): (i) scope of the role; (ii) performance and experience of the individual; (iii) pay levels at comparable companies; and (iv) pay and conditions elsewhere in the Group. Basic salaries are reviewed when an individual changes role or responsibilities.	While no maximum salary level has been set, salary increases will typically not exceed the increases awarded to other employees in the Group (in percentage of salary terms). In appropriate circumstances, increases of a higher amount may be made taking into account individual circumstances such as: • an increase in scope or responsibility of the individual's role; • development of the individual within the role (including enhanced performance); • alignment to market level; and • a change in the size or complexity of the business.	None, although overall performance of the individual will be taken into consideration by the Committee when setting and reviewing salary levels.
Retirement benefits To provide an opportunity for Executives to build up income for retirement.	All Executive Directors are eligible to participate in the Group Personal Pension Scheme on the same terms as other employees. In appropriate circumstances, Executive Directors may receive a cash allowance in lieu of a pension contribution, or a combination of a pension contribution and a cash allowance.	*Pension contribution* The Group matches employee contributions on a 2:1 basis with employer contributions not exceeding 6% of basic salary. No element other than basic salary is pensionable. *Cash allowance* The maximum cash allowance (after deducting any employer pension contribution) is 6% of basic salary. The maximum pension contribution and/or cash allowance may be increased to take account of any increase to the retirement benefits provision for the wider workforce.	None.
Benefits To provide market-competitive benefits.	Executive Directors receive benefits which consist primarily of income protection in the event of long-term ill health, private healthcare insurance and death-in-service benefits. Other benefits may be provided based on individual circumstances, such as relocation and travel expenses.	No maximum value of benefits has been set as benefits vary by role. However, the level of benefits provided is set at a level which the Committee considers to be sufficient based on the role and individual circumstances.	None.
Management Bonus Scheme To incentivise and reward strong performance against financial and non-financial annual targets, thus delivering value to shareholders.	The Committee assesses actual performance compared to the performance targets following the completion of the financial year and determines the bonus payable to each individual. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance or if it considers the formulaic output inappropriate in the context of circumstances that were unexpected or unforeseen. For Executive Directors, 20% of any bonus earned will be deferred into shares for a period of two years, with the remainder payable in cash. Deferred Bonus Plan awards may take the form of nil (or nominal) cost options, conditional awards of shares or such other form as has the same economic effect.	The maximum annual opportunity is 150% of salary.	Performance measures and targets (and their weightings where there is more than one measure) are set by the Committee on an annual basis to reflect the Company's strategic priorities. At least 75% of the opportunity will be based on key financial measures, and the balance will be based on non-financial measures. *Financial measures* Up to 50% of the maximum payable in respect of a financial measure will be paid for on target performance, increasing to 100% for stretch performance. *Non-financial measures* Vesting in respect of any non-financial measure will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant measure is achieved. Vesting in respect of any non-financial measure will ordinarily be subject to the satisfaction of a financial performance underpin.

Directors’ Remuneration Report

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
	An additional payment may be made in respect of shares subject to deferred bonus awards to reflect the value of dividends paid during the period beginning with the date of grant and ending with the date of release (this payment may assume the reinvestment of dividends into additional shares on a cumulative basis). Bonuses are subject to malus and clawback provisions as referred to below the table.		
Performance Share Plan (“PSP”) To drive sustained long-term performance that supports the creation of shareholder value.	The PSP is used to provide a meaningful reward to Executive Directors linked to the long-term success of the business, by delivering annual awards in the form of nil (or nominal)-cost options, conditional awards of shares or such other form as has the same economic effect. Awards will be granted subject to performance conditions, assessed over a period of at least three years, but will not vest or become exercisable until the end of a holding period of two years from the date on which the performance conditions are assessed. Alternatively, awards may be granted on the basis that the participant is entitled to acquire shares following the assessment of the applicable performance conditions but that (other than as regards sales to cover tax liabilities) the participant is unable to dispose of those shares until the end of the holding period. The Committee has discretion to vary the formulaic vesting outturn if it considers that the outturn does not reflect the Committee’s assessment of performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at grant. An additional payment may be made in respect of shares which vest under the PSP to reflect the value of dividends during any period beginning with the date of grant and ending on the day of exercise (this payment may assume the reinvestment of dividends into additional shares on a cumulative basis). Awards under the PSP are subject to malus and clawback provisions as referred to below the table. The Committee may, at its discretion, structure awards as Qualifying PSP awards comprising both a tax qualifying option and an ordinary PSP award, with the ordinary PSP award scaled back at exercise to take account of any gain made on the exercise of the tax qualifying option. The provisions of the Policy apply to the tax qualifying option to the extent permitted by the relevant tax legislation.	The PSP provides for awards of up to a maximum limit of 150% of basic salary in respect of any financial year of the Company in normal circumstances. In exceptional circumstances (such as on the recruitment of a new Executive Director) awards in respect of any financial year may be granted at the level of up to 200% of salary. Where an award is granted as a Qualifying PSP Award, the shares subject to the tax qualifying option are not taken into account for the purposes of these limits, reflecting the “scale back” referred to in the “Operation” column.	Vesting of PSP awards is subject to performance against demanding performance measures. Performance metrics will ordinarily be based on financial measures (such as EPS and TSR) and provide for 25% of the award to vest for achieving a threshold level of performance, with vesting typically increasing on a straight line basis to full vesting for meeting or exceeding a stretching maximum level of performance.
Save As You Earn Scheme/ International Sharesave Plan To give all employees in the Group the opportunity to buy shares.	All qualifying employees and Executive Directors of the Group are invited to participate in the Save As You Earn Scheme or International Sharesave Plan. Awards must comply with certain legislative requirements to benefit from beneficial tax treatment.	Employees can save up to £500 per month (being the highest amount permitted under the relevant legislation) for a three year period, and can then use those savings to acquire shares at the end of the period at an exercise price set at the start of the savings contract. Awards in the United Kingdom can be made at a discount of up to 20% to the market value of a share (being the highest level of discount permitted under the applicable legislation).	None.

Notes to the Policy Table

Selection of performance measures

The performance measures under the Management Bonus Scheme and PSP are selected to reflect the main KPIs and strategic priorities for the Group. The Committee's policy is to set performance targets which are both stretching and achievable and that the maximum outcomes are only available for outstanding performance.

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

Operation of share plans

The Committee has discretion to operate the Company's share plans (including the PSP, the Deferred Bonus Plan, the Save As You Earn Scheme and the International Sharesave Plan) in accordance with their terms, including the ability to settle awards, in whole or in part, in cash and to adjust the terms of awards in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other relevant event. The Committee has no intention to settle any Executive Director's award in cash and would do so only in exceptional circumstances, such as where there was a regulatory restriction on the delivery of shares, or in respect of any tax liability arising in respect of an award.

Shareholding guidelines

During employment, Executive Directors are expected to acquire and retain shares with a value equal to 200% of their base salary, by the end of the three year period following their appointment to the Board. Directors are not expected to acquire shares in the market in order to meet this guideline, but instead are expected to retain shares acquired through the Group's share plans. Shares subject to PSP awards which have vested but which remain subject to a holding period, shares subject to vested but unexercised PSP awards and shares subject to Deferred Bonus Plan awards count towards the guideline on a net of assumed tax basis. Shareholdings will be valued on an annual basis at 31 December for the purpose of this guideline.

Other senior executives must retain half of the after-tax number of shares they acquire pursuant to the PSP until the day that their shareholding has a value equal to their basic salary.

The Company adopted a post-employment shareholding requirement during 2020. Shares are subject to this requirement only if they are acquired from share plan awards (PSP or Deferred Bonus Plan) granted after 1 January 2020. Following employment, an Executive Director must retain:

- until the audit sign-off of the financial statements for the year in which they leave the business, such of their shares which are subject to the post-employment requirement as are equal to the shareholding guideline that applies during employment (currently 200% of salary); and
- until the audit sign-off of the financial statements for the following year, such of those shares as are equal to 50% of the shareholding guideline that applies during employment;

or in either case and if fewer, all of those shares.

Malus and clawback

Malus may be applied before a bonus is paid or before the assessment of performance conditions in relation to a PSP award. Clawback may be applied to a cash bonus for up to two years after payment, to a PSP award for up to two years following the assessment of performance conditions (i.e. up to the end of the two year holding period) and to a Deferred Bonus Plan award before it vests.

Malus and clawback may be applied in the event of a material misstatement of accounts, an error in assessing performance conditions, misconduct on the part of the participant, fraud, malpractice, corporate failure, serious reputational damage or a material failure of risk management.

Directors’ Remuneration Report

Remuneration policy for Non-Executive Directors

The Policy for Non-Executive Directors is set by the Board having taken account of the fees in other companies of similar size and the limits set in the Company’s Articles of Association. When recruiting Non-Executive Directors, the remuneration offered will be in line with the Policy table below.

Non-Executive Directors’ Policy Table

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fees To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Each Non-Executive Director is paid a basic fee. Additional fees are payable for acting as Senior Independent Director and as Chairman of the Audit, Remuneration and Nomination Committees and may be paid for other roles or increased time commitments. The fees paid to the Non-Executive Directors are determined by the Board. Fee levels are determined by reference to fees paid to Non-Executive Directors in similar sized businesses and the expected time commitment and complexity of the role. The Non-Executive Directors are not eligible to participate in the Company’s performance-related incentive plans or pension arrangements. Non-Executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs and other benefits that may be considered appropriate.	Non-Executive Director fees are typically reviewed by the Board every year with any adjustments ordinarily effective from 1 April each year. Increases typically do not exceed those of the wider workforce, however, in appropriate circumstances, increases of a higher amount may be made taking into account individual circumstances such as: • an increase in scope or responsibility of the individual’s role; • alignment to market level; and • a change in the size or complexity of the business. The maximum aggregate fees for all Non-Executive Directors will remain within the limit permitted by the Company’s Articles of Association from time to time.	None.

B ANNUAL REPORT ON REMUNERATION

The following section provides details of how the Company’s Remuneration Policy was implemented during the year ended 31 December 2023 along with information on how the Policy is to be applied in 2024 and other required disclosures. The sections of the report which are audited are clearly identified as such in the section heading.

Role of the Remuneration Committee

The Committee’s primary function is to ensure that the delivery of the Company’s strategy is supported by the Company’s Remuneration Policy (“Policy”) and that remuneration decisions are taken in accordance with the Policy and reflect the needs of the Company and its stakeholders. The Committee’s responsibilities during 2023 included:

- finalising the proposed changes to the Policy for approval by shareholders at the 2023 AGM, following the conclusion of a consultation with major shareholders;
- approving remuneration arrangements for the new CEO and CFO, reflecting their initial appointments on an acting basis and their subsequent permanent appointments;
- approving remuneration arrangements for newly appointed members of the Senior Leadership Team;
- assessing and approving the implementation of Restricted Stock Units (“RSU”) as a means of more appropriately awarding long term incentives to key employees who are not Executive Directors or members of the Senior Leadership Team;
- approving final remuneration arrangements for Executive Directors and members of the Senior Leadership Team who departed the business in 2023; and
- making other routine remuneration decisions in accordance with the Policy, including the approval of annual salary increases and the awarding of annual bonuses, PSPs and RSUs on appropriate terms. Also confirming that the 2020 PSP had nil vesting, in light of company performance against the performance condition.

The Committee’s full terms of reference provide further details of the roles and responsibilities of the Committee and are available on the Company’s website.

Remuneration Committee membership in 2023

The membership of the Remuneration Committee throughout 2023 comprised Barbara Moorhouse (Committee Chair), Ivan Martin and Sara Dickinson.

Only Committee members have the right to attend Committee meetings, though other individuals such as the Executive Directors may attend by invitation. Deloitte LLP provide independent remuneration advice to the Committee. Other external consultants provide advice to the Committee from time to time. No individuals are involved in decisions relating to their own remuneration.

The Committee held seven scheduled meetings, plus a number of additional ad hoc meetings for the purpose of approving specific matters during the financial year. Details of members' attendance at meetings are provided in the Corporate Governance section on page 37.

Single total figure of remuneration (audited)

Executive Directors

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2023 and the prior year.

	Alex Curran[1]		Mike Johns[2]		Jeremy Suddards[3]		Philip Wood[4]	
	2023 £	2022 £	2023 £	2022 £	2023 £	2022 £	2023 £	2022 £
Basic Salary	133,578	N/A	109,124	N/A	187,740	307,500	104,415	258,769
Taxable Benefits[5]	5,867	N/A	12	N/A	743	1,286	693	1,716
Pension	2,414	N/A	6,553	N/A	11,265	17,100	6,422	15,170
Management Bonus[6]	30,428	N/A	14,577	N/A	–	65,707	–	48,973
Long Term Incentives	–	N/A	–	N/A	–	–	–	–
Total	172,287	N/A	130,266	N/A	199,748	391,593	111,530	324,628
Total Fixed Remuneration	141,859	N/A	115,689	N/A	199,748	325,886	111,530	275,655
Total Variable Remuneration	30,428	N/A	14,577	N/A	–	65,707	–	48,793

1 Alex Curran was appointed to the Board on 12 July 2023. Her single total figure of remuneration for 2023 has been calculated from her date of appointment and excludes any remuneration received in the capacity of an employee prior to that date. The full Management Bonus received in 2023 has been included, reflecting the period in respect of which the Management Bonus was earned - see commentary on pages 50 and 51 on the assessment of performance for the 2023 Management Bonus. As Alex is paid in USD, her monthly fixed remuneration has been converted to GBP based on the FX rates at each month end. Her management bonus has been converted to GBP based on the FX rate at 31 December 2023.

2 Mike Johns was appointed to the Board on 17 May 2023. His single total figure of remuneration for 2023 has been calculated from his date of appointment and excludes any remuneration received in the capacity of an employee prior to that date. The full Management Bonus received in 2023 has been included, reflecting the period in respect of which the Management Bonus was earned - see commentary on pages 50 and 51 on the assessment of performance for the 2023 Management Bonus.

3 Jeremy Suddards stepped down as Director of the Company on 27 July 2023. He received his full basic salary, pension and benefits up until that date and retained those PSP and Deferred Bonus Plan awards for which the performance period had already concluded. Information in relation to certain other payments made to him is set out on page 53.

4 Philip Wood stepped down as Director of the Company on 20 July 2023. He received a pro-rated amount of basic salary, pension and benefits up until that date to reflect the reduced time commitment during his notice period.

5 Taxable benefits consist primarily of private healthcare insurance.

6 See below for details of bonuses earned under the Management Bonus Scheme in respect of 2023.

Non-Executive Directors

The table below sets out a single figure for the total remuneration received by each Non-Executive Director (including Ivan Martin, Non-Executive Chairman) who served during the year ended 31 December 2023 and the prior year. As the Non-Executive Directors do not participate in any variable remuneration arrangement, separate sub-totals for fixed and variable remuneration are not included.

	Ivan Martin		Barbara Moorhouse		Sara Dickinson	
	2023 £	2022 £	2023 £	2022 £	2023 £	2022 £
Basic Salary[1]	161,088	154,584	52,000	49,901	52,000	49,901
Committee Chair/SID Fees	6,510	6,247	16,180	14,223	9,245	7,136
Total	167,598	160,831	68,180	64,124	61,245	57,037

1. Non-Executive Directors' fees were increased with effect from 1 April 2023 as disclosed in the 2022 Directors' Remuneration Report.

Incentive outcomes for the year ended 31 December 2023 (audited)

Management Bonus Scheme

The Committee's approach to the determination of bonuses for the Executive Directors in respect of 2023 is set out in the statement from the Chair of the Committee on page 41. As described in that statement, each Executive Director was initially awarded a maximum bonus opportunity of 80% of their salary (the "Management Bonus") and Alex Curran was awarded an additional maximum bonus opportunity of up to $50,000 specifically linked to the Chief Executive Role in the second half (the "Chief Executive Bonus"). The Management Bonus opportunities were subsequently reduced by half and assessed by reference to performance in the second half of the year, with the financial performance measures being re-set accordingly. The performance measures and the achievements against them are set out below.

As in previous years, the Committee determined that 75% of the Management Bonus opportunity for each Executive Director would be based on performance against financial metrics, being a combination of Annual Recurring Revenue ("ARR") and Adjusted Operating Profit (weighted 50:50), with the remaining 25% based on non-financial objectives specific to each individual. 75% of the Chief Executive Bonus was similarly based on financial metrics, based solely on ARR, with the remaining 25% based on non-financial objectives.

Financial performance measures (75% of the bonus opportunity)

As set out in the statement from the Committee Chair, and consistent with the approach adopted for the wider leadership team and other employees participating in bonus arrangements, the financial targets were re-set during the year so that they would be assessed only by reference to performance in the second half of the year. The table below sets out the re-set targets, performance against them, and the amount of bonus earned by Alex Curran and Mike Johns by reference to Company performance against financial measures.

Bonus	Measure	Weighting	Threshold at which bonuses accrued	On-target performance level	Stretch performance Level	Actual performance Level	Amount of bonus earned (% of salary)
Management Bonus (applicable to each Executive Director)	Annual Recurring Revenue	50% of the financial measures opportunity	£52.5m	£54.1m	£55.7m	£51.3m	£0
	Operating Profit[2]	50% of the financial measures opportunity	£9.7m	£10.1m	£10.4m	£9.9m	Alex Curran: £12,764 Mike Johns: £7,577
Chief Executive Bonus (applicable to Alex Curran only)	Annual Recurring Revenue	100% of the financial measures opportunity	£52.5m	£54.1m	£55.7m	£51.3m	£0

1. The recurring revenue base target was set on a constant currency basis, using a planned conversion rate from USD of 1.26. The actual reported result of £51.1 million was converted using the prevailing year end USD rate of 1.27.
2. Operating profit has been adjusted to remove the impact of any non-underlying items. The target and actual operating profit amounts are shown prior to any adjustments for the Management Bonus Scheme.

Non-financial performance measures (25% of the bonus opportunity for both the Management Bonus and the Chief Executive Bonus) (audited)

A number of non-financial measures for 2023 aligned to key strategic goals were set for Alex Curran and Mike Curran on their appointments to the Board. A summary of the Committee's assessment of their performance against the goals is provided.

Alex Curran

Measure	Committee assessment of performance
Implement a refocussed strategic plan for the Group.	A refocussed strategic plan was communicated in 2023, and steps were commenced to implement this plan. These steps will continue in 2024 to support its delivery.
Define and implement a target operating system and leadership structure.	A revised global organisation structure and Senior Leadership Team was put in place to support business growth and improved client experience. Defined business initiatives and objectives and key results ("OKRs") have been implemented for 2024.
Building strong pipelines and delivering new deals.	The deal pipeline has been strengthened, particularly for Fynapse. In 2023, there have been new deals across the product suite.
Enhance overall partnership capabilities.	Strong work was undertaken with partners, and in particular with Microsoft. In 2023, full integration to D365 and enablement on the Azure cloud platform was achieved and a partnership agreement entered into with a large reseller in the Microsoft partner environment.
Drive a performance sales culture across functions.	A revised global go-to-market approach has been developed to support the refocused strategy. Steps have commenced to embed this approach, including the appointment of a Chief Revenue Officer to drive performance across go-to-market teams.

Overall, the Committee concluded that, in light of the progress made against objectives, Alex Curran would receive a bonus of £17,664 under the non-financial element of the 2023 bonus, reflecting an overall assessment of performance against the personal objectives set of between threshold and on-target. Overall this resulted in a total 2023 bonus being earned by Alex Curran of £30,428.

Mike Johns

Measure	Committee assessment of performance
Leadership of the Finance, Commercial and Company Secretarial functions.	There had been strong leadership of the Finance, Commercial and Company Secretarial functions, with good engagement and low unplanned attrition.
Control of investment levels in the business to secure profitability targets set for the year.	Cost reduction measures taken in 2023 resulted in the achievement of a lower than planned cost base. This will provide a good basis to support targeted investment and drive profitability.
Improvement of operating margins across the Group's product lines.	Close work has been undertaken to identify measures to drive the best benefits under the refocused strategy. These measures will be implemented through the revised go-to-market approach.
Management of timely forecasts and proactive measurement of progress against targets.	Processes underpinning business forecasts and measurement of progress are being re-evaluated and aligned to support delivery of the refocused strategy.

The Committee concluded that, in light of the progress made against objectives, Mike Johns would receive a bonus of £7,000 under the non-financial element of the 2023 bonus, reflecting an overall assessment of performance for 2023 against the personal objectives set as being between threshold and on-target. Overall, this resulted in a total 2023 bonus being earned by Mike Johns of £14,577.

20% of the bonus payments shown are subject to a deferral period of two years and payable in shares. Deferred bonus awards will be granted following the release of the 2023 Annual Results are not subject to any additional performance conditions and are treated on cessation of employment in accordance with the Directors' Remuneration Policy.

PSP awards vesting in respect of performance in 2023 (audited)

The PSP awards granted on 7 September 2020 were subject to a three year, TSR only performance condition and the performance period ended on 7 September 2023. The Remuneration Committee confirmed that these awards achieved nil vesting, as the Company's TSR in the performance period was below the median of the constituents of the FTSE SmallCap Index (excluding investment trusts).

Share awards granted during the year (audited)

On 6 September 2023 share options under the Performance Share Plan were awarded to Alex Curran and Mike Johns. Each award was granted in the form of an option with an exercise price of 7 1/3 pence per share. The awards were made at 125% of salary, in line with the Remuneration Policy approved by shareholders at the 2023 AGM (in line with the commitment in the 2022 Directors' Remuneration Report of not utilising the additional headroom for PSP grants approved in that new Policy). In the case of Alex Curran, the award was calculated by reference to her salary as Acting Chief Executive Officer of $358,000 applying at the date of grant and not her higher salary as permanent Chief Executive Officer which will apply for the majority of the performance period. The Remuneration Committee has approved awards at this level as appropriate given the changes in the Company leadership and the overall incentive levels across the various elements of the Executive Directors' remuneration packages. The Remuneration Committee will consider the vesting outturns determined by reference to the performance conditions and retains discretion in relation to the total level of reward arising from the 2023 award having regard to overall Company performance, the wider stakeholder experience, and the outcome of prior year PSP schemes.

Executive Director	Number of shares subject to award	Basis of award	Face value of award[1]	% of award vesting for threshold performance
Alex Curran	121,215	125% of salary	£355,160[2]	25%
Mike Johns	74,659	125% of salary	£218,751	25%

1. Based on a share price of £2.93 being the average of the mid-market closing share price on the three days prior to the date of grant.
2 As Alex's salary is in USD, a USD:GBP FX rate of 1.26 was applied, representing the FX rate at the month end prior to the granting of awards.

The vesting of these options is subject to the satisfaction of the performance conditions based on:

(a) as regards 75% of the shares subject to the options, the Company's Total Shareholder Return ('TSR') measured over the period of three years commencing on the date of grant, compared with the TSR of a comparator group consisting of the companies constituting the FTSE SmallCap Index (excluding investment trusts) as follows:

Percentage of the options subject to the TSR performance condition that vests	Rank of the Company's TSR against the TSR of the members of the comparator Group
0%	Below median
25%	Median
Determined on a straight-line basis between 25% and 100%	Between median and upper quartile
100%	Upper quartile

(b) as regards the other 25% of the shares subject to the options, the Company's Earnings Per Share (EPS) for the 2025 financial year, being the final financial year of the EPS performance period, as follows:

Percentage of the options subject to the EPS performance condition that vests	Diluted EPS for the final year of the performance period
0%	Less than 15.74 pence
25%	15.74 pence
Determined on a straight-line basis between 25% and 100%	Between 15.74 pence and 18.10 pence
100%	18.10 pence or more

The awards are also subject to a further underpin condition. No element of any award will vest unless the Committee determines that the level of vesting reflects the overall financial performance of the Group over the performance period.

These awards are subject to a two-year holding period following the end of the performance period.

Termination payments and payments to past Directors (audited)

Jeremy Suddards

Jeremy Suddards, former Chief Executive Officer, stepped down as a Director of the Company on 27 July 2023 and his final date of employment with the Aptitude Group was 31 July 2023. After this date he received pay in lieu of notice for six months, and the Group continued to make contributions to his Group Personal Pension Scheme (in aggregate these amounted to £167,652). He continued to participate in the Group's private healthcare insurance arrangements until the end of 2023. Jeremy also received £25,000 as a contribution to legal costs and outplacement support and for the loss of some minor benefits.

He was not eligible to earn a bonus for the proportion of 2023 for which he was employed.

In line with the Company's Remuneration Policy, Jeremy retained his outstanding DBP awards and the PSP award granted to him in 2019 for which the performance period had ended and which is subject to a two-year holding period. His other PSP awards lapsed.

Philip Wood

Philip Wood, former Deputy Chief Executive Officer and Chief Financial Officer, stepped down from the Board on 20 July 2023. As reported in the 2022 Directors' Remuneration Report Philip received his salary, pension and benefits pro-rated accordingly for the reduction in his hours during the six-month period to his final date of employment.

Philip was not eligible to earn a bonus for the proportion of 2023 for which he was employed and did not receive a PSP award for 2023. In line with the Remuneration Policy, Philip retained his outstanding DBP awards and the PSP awards granted in 2019 for which the performance period had ended and which is subject to a two-year holding period. His other PSP awards lapsed.

Implementation of Remuneration Policy for 2024

Basic salary

As explained on page 42, the salary of Alex Curran will be reduced in 2024 to $400,000 and the salary of Mike Johns will remain at £175,000.

Management Bonus Scheme

In the updated Remuneration Policy approved by shareholders at the 2023 AGM, the maximum bonus opportunity that can be awarded to Executive Directors by the Remuneration Committee was increased from 125% of salary to 150% of salary. However, for 2024 the maximum bonus opportunity for Executive Directors will be 125% of salary, with 50% of the maximum paid for on target performance.

Bonuses will be based on performance compared to a number of financial metrics (as regards 75% of the overall opportunity) and the achievement of a number of non-financial performance measures set for the year (as regards 25% of the overall opportunity). The financial metrics are expected to include Operating Profit, Revenue and Annual Recurring Revenue growth. The non-financial performance measures will be subject to a financial underpin. In the view of the Committee the measures and targets are commercially sensitive as they give competitors information in relation to the Company's targets and plans. Information will be disclosed when no longer considered commercially sensitive, as with the disclosure of the 2023 bonus outturn on pages 50 and 51. 20% of any bonus earned will be deferred into shares for a period of two years. Deferred shares will be granted following announcement of the Company's results by which the bonus payment was determined. An additional payment may also be made in shares to reflect the value of any dividends paid during the two year deferral period.

Directors' Remuneration Report

Long-term incentives

Awards under the PSP will be granted to Executive Directors in 2024. Under the Remuneration Policy, the maximum grant of PSP for Executive Directors is 150% of salary, except in exceptional circumstances (such as on the recruitment of a new Executive Director) where awards may be granted at the level of up to 200% of salary. In 2024 the maximum PSP opportunity will remain at 125% of salary. The performance measures will include a relative TSR measure for at least 50% of the award and at least one other financial metric, such as EPS. As with the awards granted in 2023, the TSR performance measure will compare the Company's TSR performance with a comparator group consisting of the FTSE SmallCap Index (excluding investment trusts), with 25% of the TSR element vesting for performance at median, rising to 100% for upper-quartile performance. TSR performance will be assessed over the three year period from the date of grant. Details of the other financial measure (and of the associated targets) and of the weightings between the measures will be disclosed both at grant and in the 2024 Directors' Remuneration Report. Targets will be set to ensure that full vesting requires the achievement of stretching levels of performance, with threshold performance delivering 25% vesting. The awards will be subject to a two year holding period following the end of the performance period, at the end of which they will vest and can be exercised. An additional payment will also be made in shares to reflect the value of any dividends paid during the two year holding period. In line with market practice, the Committee has determined that Redundancy will not be an automatic Good Leaver circumstance in future PSP awards, and the rules of the scheme have been adjusted accordingly.

Non-Executive Director fees

Fees for the Chairman and Non-Executive Directors were increased with effect from 1 April 2023 as disclosed in last year's Directors' Remuneration Report.

For 2024, the Committee has reviewed the Chairman's fee and the Board of Directors have reviewed the fees for the other Non-Executive Directors. Following these reviews, no increases to fees will be made, as per the table below:

	Fee at 31 December 2023	Fee at 1 April 2024
Chairman	£162,575	£162,575
Basic Non-Executive Director fee	£52,480	£52,480
Audit Committee Chair fee	£9,330	£9,330
Remuneration Committee Chair fee	£8,165	£8,165
Senior Independent Director fee	£8,165	£8,165
Nomination Committee Chair fee	£6,570	£6,570

The Board of Directors meets without the Non-Executive Directors present to review the Non-Executive Director and Non-Executive Chairman fees and these are set with consideration to salary increases received by the wider workforce.

Percentage change in Directors' remuneration

The table below shows the percentage change in Directors' remuneration from the prior year compared to the average percentage change in remuneration for all other employees. The reporting regulations require that the average percentage change for other employees is based on the employees of Aptitude Software Group plc. However, the Company only has two employees other than the Directors. Therefore, to provide a meaningful comparison, and consistent with the approach in prior years, this is based on all United Kingdom employees in the Group, which is considered the most appropriate comparator group. For the purposes of this disclosure, remuneration comprises salary, benefits (excluding pension) and annual bonus earned in respect of variable pay paid in the year only.

	Financial year[2]	Salary	Taxable benefits	Single year variable
Executive Directors[1]				
Jeremy Suddards[3]	2022-2023	(38.9%)	(59.6%)	(100%)
	2021 - 2022	11.3%	(4.3%)	(60.7%)
	2020 - 2021	10.5%	3.7%	182.4%
	2019 - 2020	0.0%	N/A	N/A
Philip Wood[4]	2022-2023	(42.2%)	(59.6%)	(100%)
	2021 - 2022	3.1%	(7.8%)	(68.6%)
	2020 - 2021	3.5%	7.0%	169.3%
	2019 - 2020	(2.5%)	17.6%	(41.3%)
Non-Executive Directors				
Ivan Martin[5]	2022-2023	4.2%	N/A	N/A
	2021 - 2022	6.7%	N/A	N/A
	2020 - 2021	6.8%	N/A	N/A
	2019 - 2020	0.0%	N/A	N/A
Barbara Moorhouse	2022-2023	6.3%	N/A	N/A
	2021 - 2022	15.4%	N/A	N/A
	2020 - 2021	3.6%	N/A	N/A
	2019 - 2020	0.0%	N/A	N/A
Sara Dickinson[6]	2022-2023	7.4%	N/A	N/A
	2021 - 2022	19.9%	N/A	N/A
	2020 - 2021	N/A	N/A	N/A
	2019 - 2020	N/A	N/A	N/A
Other employees[7]	2022-2023	9.8%	7.9%	(1.3%)
	2021 - 2022	7.7%	29.6%	106.3%
	2020 - 2021	4.3%	22.0%	0.6%
	2019 - 2020	1.6%	3.0%	34.1%

1. Any statement of percentage change is not considered a meaningful comparison for Alex Curran or Mike Johns due to their internal appointments to Executive Director roles in 2023.
2. Explanatory notes relating to the prior year figures are included in the relevant year's Directors' Remuneration Report.
3 Jeremy Suddards stepped down from the Board on 27 July 2023 and the percentage change reflects actual salary and benefits received in 2023.
4 Philip Wood stepped down from the Board on 20 July 2023 and received a pro-rated amount of salary and benefits up until that date to reflect the reduced time commitment during his notice period. His 2023 salary and benefits prior to pro ration have been annualised for comparative purposes.
5. The salary received by Ivan Martin during 2021 and 2022 included the addition of a fee for Chairing the Nomination Committee.
6. Sara Dickinson was appointed on 1 October 2021 and therefore her 2021 salary has been annualised for comparative purposes.
7. Based on the United Kingdom employees only as the most appropriate comparator group.

Relative importance of spend on pay

The table below shows the percentage change in spend on pay and shareholder distributions (i.e. dividends) from the financial year ended 31 December 2022 to the financial year ended 31 December 2023, based upon continuing operations.

	% change	2023 £000	2022 £000
Return to shareholders in year	0.1%	3,096	3,093
Employee remuneration	(2.3%)	44,592	45,622

Comparison of Company performance

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE SmallCap Index for the ten years ended 31 December 2023. The Committee considers that the FTSE SmallCap Index is the most appropriate comparison across the period given the similarities between the Company and the companies forming this index.

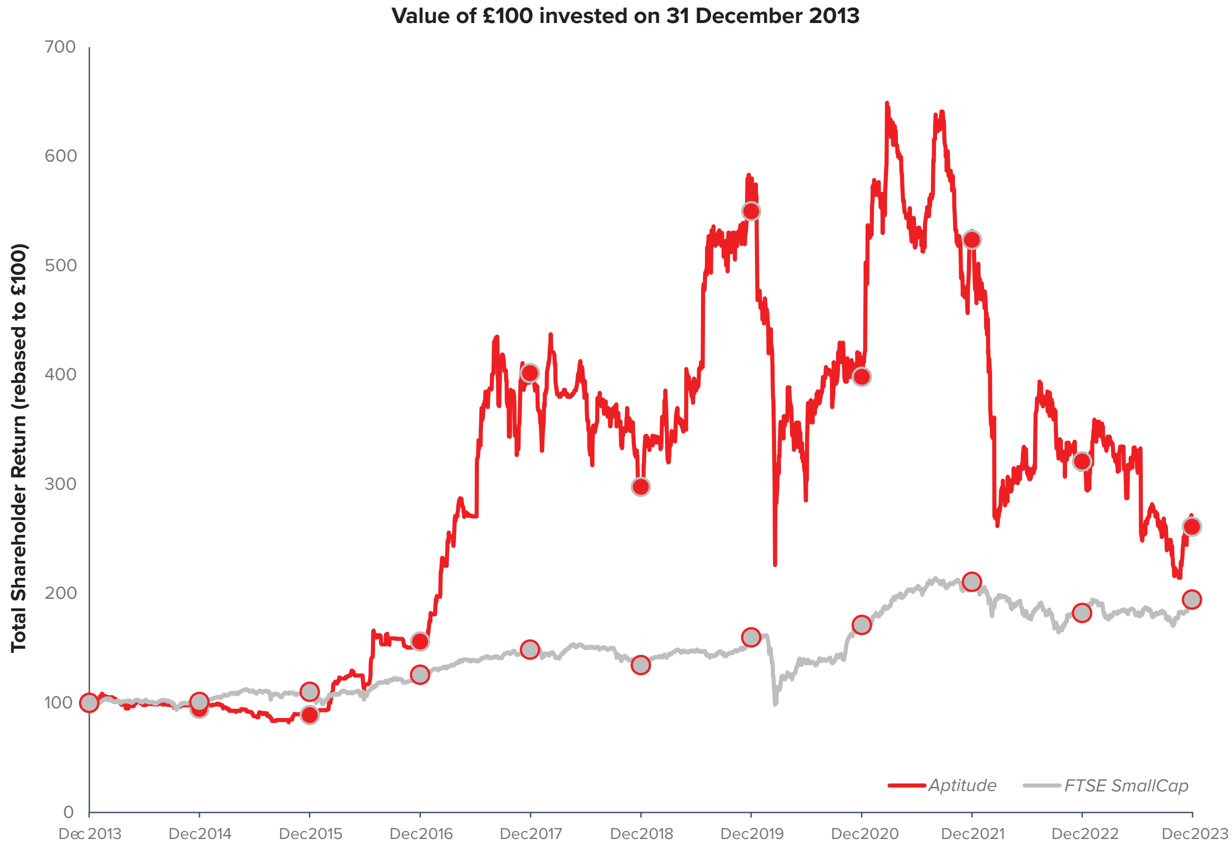

Table of historic remuneration

The table below details the total remuneration, bonus award as a percentage of maximum opportunity and long-term incentive awards vesting as a percentage of maximum opportunity for the Group's senior executive officer(s) for each of the years from 2014 - 2022 (inclusive).

Year		Total Remuneration	Bonus Award as a percentage of maximum opportunity	Long term incentives vesting as a percentage of maximum opportunity
2023	Alex Curran (Chief Executive Officer)[1]	£197,287	19.39%	n/a[3]
	Jeremy Suddards (Chief Executive Officer)[2]	£199,748	n/a	n/a[3]
2022	Jeremy Suddards (Chief Executive Officer)	£391,593	16.69%	n/a
2021	Jeremy Suddards (Chief Executive Officer)	£578,407	46.90%	43.2%
2020	Jeremy Suddards (Chief Executive Officer)	£387,630	78.67%	26.60%
2019	Tom Crawford (Chief Executive Officer, Aptitude Software Group plc)	£1,634,545	0.00%	100.00%/ 75.50%
2018	Simon Baines (Chief Executive Officer, Microgen Financial Systems)	£776,610	0.00%	100.00%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£858,130	0.00%	100.00%
2017	Simon Baines (Chief Executive Officer, Microgen Financial Systems)	£270,075	35.25%	n/a
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£433,437	86.25%	n/a
2016	Simon Baines (Chief Executive Officer, Microgen Financial Systems)	£1,141,653	50.00%	98.53%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£1,269,113	92.50%	98.53%
2015	Martyn Ratcliffe (Executive Chairman)	£199,375	n/a	n/a
2014	Martyn Ratcliffe (Executive Chairman)	£275,000	n/a	n/a

1 Alex Curran was appointed to the Board on 12 July 2023. Her total remuneration for 2023 has been calculated from her date of appointment and excludes any remuneration received in the capacity of an employee prior to that date. Her maximum opportunity is shown based on performance in the second half of 2023.
2 Jeremy Suddards stepped down as Director of the Company on 27 July 2023. His total remuneration to that date is shown.
3 There were no Performance Share Plan awards that vested in relation to a period ended 31 December 2023.

Explanatory notes relating to the prior years' figures are included in previous Directors' Remuneration Reports.

Directors' shareholdings and shareholding requirement (audited)

The interests of those persons who served as Directors during 2023 and their families in the ordinary shares of the Company as at 31 December 2023 (or, if earlier, the date of their retirement from the Board) were as follows:

	Ordinary shares at 31 December 2023 (or, if earlier, the date of retirement from the Board)	Ordinary shares at 31 December 2022
Ivan Martin	225,000	225,000
Philip Wood (resigned on 20 July 2023)	217,352	216,341
Barbara Moorhouse	–	–
Jeremy Suddards (resigned on 27 July 2023)	25,955	24,924
Sara Dickinson	–	–
Alex Curran	11,923	N/A
Mike Johns	–	N/A

There have been no changes since 31 December 2023 to the shareholdings of any current Director. None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group. Details of Directors' interests in shares and options under Company long-term incentives are set out in the sections below.

Directors’ Remuneration Report

Under the Remuneration Policy which was approved by shareholders at the 2023 Annual General Meeting, Executive Directors are expected to acquire and retain shares with a value equal to 200% of their base salary, by the end of the three year period following their appointment to the Board. Directors are not expected to acquire shares in the market in order to meet this guideline, but instead are expected to retain shares acquired through the Group’s share plans. Further information on this shareholding guideline can be found on page 47.

Directors’ interests under Company share plans (audited)

The table below shows the interests of each Director who served during 2023 as at 31 December 2023 in the Company’s share plans.

Director	Grant	Shares subject to award as at 1 January 2023	Granted in 2023	Exercised in 2023	Lapsed in 2023	Shares subject to awards as at 31 December 2023	Status
Jeremy Suddards	**Long term incentive plan**						
	2019	36,797	–	–	-	36,797	Vested but unexercised
	2020	69,321	–	–	69,321	–	Lapsed
	2021[1]	57,676	–	–	57,676	–	Lapsed
	2022[2]	98,300	–	–	98,300	–	Lapsed
		262,094	**–**	**–**	**225,297**	**36,797**	
	Deferred bonus plan						
	2021	1,899	–	1,899	–	–	Exercised
	2021 (dividend equivalent)	–	56	56	–	–	Exercised
	2022	11,064	–	–	–	11,064	Unvested
	2023	–	3,691	–	–	3,691	Unvested
		12,963	**3,747**	**1,955**	**–**	**14,755**	
Philip Wood	**Long term incentive plan**						
	2018	13,246	–	13,246	–	–	Exercised
	2019	27,045	–	–	–	27,045	Vested but unexercised
	2020	54,348	–	–	54,348	–	Lapsed
	2021[1]	40,934	–	–	40,934	–	Lapsed
	2022[2]	66,593	–	–	66,593	–	Lapsed
		202,166	**–**	**13,246**	**161,875**	**202,166**	
	Deferred bonus plan						
	2021	1,861	–	1,861	–	–	Exercised
	2021 (dividend equivalent)	–	56	56	–	–	Exercised
	2022	10,339	–	–		10,339	Unvested
	2023	–	2,751	–	–	2,751	Unvested
		12,200	**2,807**	**1,917**	**–**	**13,090**	
Alex Curran	**Long term incentive plan**						
	2020	31,318		–	31,318	–	Lapsed
	2021[1]	15,733		–	–	15,733	Unvested, subject to performance conditions
	2022[2]	49,029		–	–	49,029	Unvested, subject to performance conditions
	2023[3]	–		121,215	–	121,215	Unvested, subject to performance conditions
		96,080		**121,215**	**31,318**	**185,977**	

Director	Grant	Shares subject to award as at 1 January 2023	Granted in 2023	Exercised in 2023	Lapsed in 2023	Shares subject to awards as at 31 December 2023	Status
Mike Johns	**Long term incentive plan**						
	2020	3,416		–	3,416	–	Lapsed
	2021[1]	3,076		–	–	3,076	Unvested, subject to performance conditions
	2022[2]	9,570		–	–	9,570	Unvested, subject to performance conditions
	2023[3]	–		74,659	–	74,659	Unvested, subject to performance conditions
		16,062		**74,659**	**3,416**	**87,305**	

1 The awards granted in 2021 are subject to a performance condition described on page 64 of the 2021 Annual Report and Accounts.
2 The awards granted in 2022 are subject to a performance condition described on page 72 of the 2022 Annual Report and Accounts.
3 The awards granted in 2023 are subject to a performance condition described on page 52 of this report.

Advisors

In fulfilling its role, the Committee seeks professional advice when considered appropriate to do so. Deloitte LLP is retained to provide independent advice on executive remuneration to the Committee as required. Independent advisors on executive remuneration, were made available to the Committee during the year. Deloitte LLP's total fees for the provision of remuneration services to the Committee in 2023 were £9,950 (2022: £28,750). After careful consideration the Committee is satisfied that the advice provided by Deloitte LLP is independent and objective. Deloitte LLP also advise the Group on the operation of its share plans, associated tax matters and remuneration disclosure matters.

Deloitte LLP is a founder member of the Remuneration Consultants Group and adheres to its Code of Conduct for consultants to Remuneration Committees of United Kingdom-listed companies, details of which can be found at www.remunerationconsultantsgroup.com.

Statement of shareholder voting

At the Annual General Meeting of the Company on 17 May 2023, the Directors' Remuneration Policy was approved by shareholders as follows:

Approval of the Directors' Remuneration Policy	Total number of votes	% of votes cast
For (including discretionary)	48,458,132	96.65%
Against	1,679,310	3.35%
Total votes cast (excluding withheld votes)	**50,137,442**	**100.00%**
Votes withheld	6,179	
Total votes cast (including withheld votes)	**50,143,621**	

At the Annual General Meeting of the Company on 17 May 2023, the Directors' Remuneration Report for the year ended 31 December 2022 was approved by shareholders as follows:

Approval of the Directors' Remuneration Report for the year ended 31 December 2022	Total number of votes	% of votes cast
For (including discretionary)	49,190,673	98.11%
Against	946,769	1.89%
Total votes cast (excluding withheld votes)	**50,137,442**	**100.00%**
Votes withheld	6,179	
Total votes cast (including withheld votes)	**50,143,621**	

Note: Withheld votes are not included in the final voting figures as they are not recognised as a vote in law.

The Remuneration Committee give its thanks to shareholders for the engagement shown through the consultation process around the revised Remuneration Policy, for the constructive and helpful comments received and for the support shown in voting for the changes.

Directors' Remuneration Report

The Remuneration Report was approved by a duly authorised Committee of the Board of Directors on 20 March 2024 and signed on its behalf by:

Barbara Moorhouse
Chair of the Remuneration Committee

20 March 2024

Directors' Report

The Directors of Aptitude Software Group plc (the "Company") present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

Results and dividends

The results for the year are set out in the financial statements and notes on pages 78 to 132. As explained in the Chairman's Statement, the Directors propose the payment of a final dividend of 3.6 pence per share, making a total of 5.4 pence per share for the year (2022 total: 5.4 pence). Subject to shareholder approval, the proposed final dividend will be paid on 14 June 2024 to shareholders on the register at close of business on 24 May 2024.

Principal activities

Aptitude Software Group plc is a market-leading provider of software solutions that deliver fully autonomous finance. The Company and its subsidiaries together are referred to in this Annual Report as the "Group". The Group's products and services are detailed within the Chief Executive Officer's Report.

Key performance indicators

Key Performance Indicators are set for the Group and can be found in the reports on page 2. These are Revenue Growth, Operating Profit (before Non-Underlying Items) Growth and Annual Recurring Revenue Growth.

Future developments

Details of the Group's future developments are provided in the Chief Executive Officer's Report on page 6.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required under company law and under the Listing Rules of the Financial Conduct Authority to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards. The Directors have elected under Company law to prepare the Company financial statements in accordance with UK-adopted International Accounting Standards.

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

- 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 UK-adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

Directors' Report

Directors’ confirmations

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company’s position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors and Advisers section, confirm that, to the best of each person’s knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and losses of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors’ Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Aptitude Software Group plc website.

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

Board and Committee roles and responsibilities

Details of the key responsibilities of the Board, its individual members and the Committees of the Board are published on the Group’s website at www.aptitudesoftware.com.

Going concern and long-term viability statement

In accordance with Provision 31 of the 2018 UK Corporate Governance Code (“the Code”), the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the “Going Concern” provision as part of our viability review set out below. See page 84 for the Group’s assessment on going concern. The Board determined that it would be reasonable to perform a review of the Group’s cash flows and other key financial indicators of three years and considered this appropriate given the period aligns the Group’s viability statement with its planning time horizon in respect of its three-year strategic plan and is suitable given the nature and investment cycle of a technology business. Cash flows over this period have a relatively high degree of predictability, as the business continues to grow its software revenues. Projections beyond this period become less reliable given the inherent uncertainty of technology and market developments, supplemented by the uncertainties surrounding the global economy. The Directors have no reason to believe the Group would not be viable over a longer period. However, due to this uncertainty, the Directors consider a three-year period to be appropriate in forming a reasonable expectation on the Group’s longer-term viability.

In forming a viability statement, the Directors carried out a robust assessment of the principal risks and uncertainties that could impair the solvency and liquidity of the Group. This is based on the Group’s current position, its strategy, and associated principal risks with scenarios including an assessment of the Group’s longer-term prospects. The Group is operating in a net current asset position at the balance sheet date and retains significant cash balances benefiting from its annual licence fee or subscription model in which the majority of its customers pay annually in advance.

Scenario models are reviewed by the Board and the Audit Committee and are a foundation for the Group’s strategic plan. The financial forecasts contained in the plan make certain assumptions about the uptake of new annual licences and subscriptions and the performance of other core revenue streams. As part of the assessment the Group stress tests the plan using various scenarios. To achieve this, management reviewed the principal risks and considered which might threaten the Group’s viability. Based on the assessment, the Group concluded that the current level of future contracted revenue, totalling £81 million at 31 December 2023, would require being supplemented by £28.9 million of revenue realised from either new business opportunities or generated from the base across the three year period which is well below planned levels. Across each of the scenarios tested, the Group has also not factored in any structural changes to its cost base being made to ensure it remains viable. It was therefore determined that none of the individual risks would in isolation compromise the Group’s viability, and so several different severe scenarios were considered where the principal risks arose in combination.

The scenarios considered to be the most significant in performing the assessment of viability and the combination of principal risks involved are detailed in the scenario modelling section on page 64, all of which are considered extremely remote. In addition the Group sets out separate assessments of why the Group believes that these do not represent risks which might threaten the viability of the Group.

Principal risks

- The risk that the Group fails to comply with its contractual and legal obligations, including those relating to data confidentiality, resulting in damages, regulatory penalties and fines.
- The risk that the Group utilises a significant proportion of its existing cash reserves to implement an acquisition strategy which does not yield the expected return on investment.
- The risk that the Group decides to perform a significant return of value to shareholders immediately prior to a steep downturn in performance.
- The risk the business fails to attract new clients or retain existing clients as a result of weaknesses within its product suite or service delivery model.
- The risk of insolvency of key banking counterparties used by the Group, which could lead to the loss of all or part of the cash held with any such counterparty.

Mitigations

- The Group operates with a strong control environment which includes close oversight by management on all matters. Where required this includes the use of external advisers and insurance cover which may mitigate the impact of a possible material breach.
- The Group has significant acquisition experience following the completion of seven acquisitions since 2014, including the acquisition of MPP Global Solutions Limited on 9 October 2021. Any future opportunities are required to meet the Group’s strict criteria of comprising complementary technologies focused on Aptitude’s product suite. Furthermore, appropriate due diligence on any potential acquisitions is performed with findings presented to the Board.
- The Group has substantial levels of future contracted revenue visibility and retains significant cash balances benefitting from its long-term annual licence and subscription model in which the overwhelming majority of its clients pay annually in advance.
- The business currently operates with a moderate level of debt financing in place. The Group’s existing debt facility allows for additional financing to be drawn on which would assist in covering short term cash flows if necessary.
- Cash conservation measures could include a review of the Group’s dividend policy along with the flexibility to implement a number of cost reduction measures.
- The Group's cash deposits are always held across at least two financial institutions.

Geopolitical developments

The Group is continuing to closely monitor the situation in Ukraine, the Middle East and Taiwan. The business has no facilities or dependencies in those regions, but in view of its mainland Europe operations, business contingency planning has been undertaken to mitigate any potential disruption to the Group’s operations that might result should there be an escalation of the Ukraine conflict into other European countries.

Future inflation increases

The Group is closely monitoring inflation levels and planning for any significant future increases that might arise. Increasing inflation could have an impact on the Group’s margins in the short term as the Group’s ability to recover these increased costs from its client base would not take immediate effect and would depend upon the commercial terms agreed with its clients.

Climate-related risk

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), the Group has assessed the potential impact of climate related risk on its operations and determined that these to be low. Full details of how the Group complies with TCFD recommendations can be found on page 23.

Other risks

Whilst other risks were considered in respect of a new market disruptor, the collapse of new business activity and defaulting on the loan facility, these were not considered as severe as the scenarios outlined above given the level of future contracted revenue visibility and cash generation achieved through the Group’s multi-year annual licence and subscription model combined with the amount of variable cost base the business operates with.

Scenario modelling

The likelihood of each principal risk occurring, and the potential impact was modelled across various scenarios by management who evaluated the possible consequences, primarily through a reduction in operating profit, ranging from a reduction of 50% to 70%, and net cash in-flows. These impacts were based on similar events in the public domain and internal estimates. The Directors reviewed and discussed the process undertaken by management, and also reviewed the results of reverse stress testing performed to provide an illustration of the reduction in operating profit across the three-year period that would be required in order for the Group to either breach its external loan covenants or exhaust all available cash. Based on this testing it was determined that the current level of future contracted revenue, totalling £81million at 31 December 2023, would require being supplemented by £28.9 million of revenue realised from either new business opportunities or generated from the base across the three year period which is well below planned levels, and therefore undrawn facilitates would not be required to be drawn down. Across each of the scenarios tested, the Group have also not factored in any structural changes to its cost base being made to ensure it remains viable.

Based on the results of the review the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's current strategy, the Board's current risk appetite and the Group's principal risks and how these are managed. The Group retains significant cash balances benefitting from its annual license and subscription model in which the overwhelming majority of its clients pay annually in advance.

Application of the 2018 UK Corporate Governance Code

Full details of how the Company has applied the principles of the Code throughout the year can be found within the Corporate Governance Statement on pages 30 to 38.

Conflicts of interest and whistleblowing policy

The Group has written policies regarding the avoidance of Conflicts of Interest and Bribery and Corruption, including a gifts and hospitality policy. All employees are required to read and acknowledge these policies on joining the Group, and when there are any updates.

Directors are required to declare any actual or potential conflicts of interest within the Board decision making process and, should any such conflicts arise, absent themselves from discussions relating to that item of business.

The Group has a written whistleblowing policy which is clearly set out in the employee handbook. The policy enables workers (including employees and other individuals performing functions for Aptitude, such as agency workers and contractors) to voice any concerns in a responsible and effective manner. The policy states that if a worker discovers information which they believe shows serious malpractice or wrongdoing within the organisation then this information should be disclosed internally without fear of reprisal. A dedicated email address is provided for any whistleblowing concerns to be raised, which will be sent to an independent non-executive Board member. All matters will be treated with the strictest confidence and the worker's identity will not be disclosed without their prior consent. The worker's concerns will be considered and further investigation undertaken as necessary. If during the investigation it is deemed necessary for the identity of the worker to be disclosed, their consent will be sought. The matter will then be reported to the Board in order that appropriate action can be taken. On conclusion of any investigation, as far as appropriate, the worker may be informed of the outcome and what action, if any, the Board has taken, or proposes to take.

Political donations

The Group made no political donations in the year (2022: £nil).

Substantial shareholdings

Notifications received by the Company in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority are published via the UK Regulatory Information Service and on the Company's website. As at 31 December 2023 and as at 20 March 2024, the Company had been advised of the following notifiable interests in its voting rights:

	Number of shares held as at 20 March 2024[1*]	Number of shares as at 31 December 2023[2*]	Number of shares as at 31 December 2022[*]
Long Path Partners	8,866,916 (15.46%)	8,866,916 (15.46%)	2,942,587 (5.1%)
Schroders plc	8,259,311 (14.40%)	8,259,311 (14.40%)	6,778,750 (11.8%)
Canaccord Genuity Group Inc.	5,310,000 (9.26%)	5,310,000 (9.26%)	6,802,632 (11.9%)
Mission Trail Capital Management LLC	4,494,890 (7.84%)	4,494,890 (7.84%)	– –
Invesco Limited	3,900,032 (6.80%)	3,900,032 (6.80%)	3,104,058 (5.4%)
FIL Limited	3,011,609 (5.25%)	3,267,986 (5.70%)	– –
Mrs C Barbour, Mr B Barbour & Bank of New York Mellon (Brussels (Pooled))	2,941,694 (5.13%)	2,941,694 (5.13%)	4,409,689 (7.7%)
Herald Investment Management	2,458,277 (4.29%)	2,458,277 (4.29%)	1,963,889 (3.4%)
Soros Fund Management	2,226,710 (3.88%)	2,226,710 (3.88%)	– –

1 Calculated by reference to the number of shares in issue as at 31 December 2023, being 57,377,611.
2 Calculated by reference to the number of shares in issue as at 20 March 2024, being 57,377,611.
* % ISC stated in brackets.

Share capital

At 20 March 2024 the Company had a single class of share capital which is divided into ordinary shares of 7 1/3 pence each.

Rights and obligations attaching to shares

Voting in meetings of the Company

Voting at a general meeting shall be on a show of hands unless a poll is demanded. On a show of hands, every shareholder present in person and every proxy duly appointed by a shareholder shall have one vote. On a poll, every shareholder who is present in person or by proxy shall have one vote for every share of which he or she is the holder.

No shareholder shall be entitled to vote at any general meeting or class meeting in respect of shares held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid. Currently, all issued shares are fully paid.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 14 May 2024 are set out in the Notice of Meeting which accompanies this report.

Dividends and distributions

Subject to the provisions of the Companies Act 2006, the Company may, by ordinary resolution, declare a dividend to be paid to shareholders but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends or special dividends of such amounts, on such dates and in respect of such periods as the Board think fit. If in the opinion of the Board the profits available for distribution justify such payments, the Board may declare and pay the fixed dividends on any class of shares carrying a fixed dividend (if any). All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares.

Transfer of shares

Subject to the Articles, any shareholder may transfer all or any of his or her certified shares in writing by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may, at its absolute discretion and without giving any reasons, decline to register any instrument of transfer of a certified share which is not a fully paid share provided that, where any such shares are admitted to the Official List of the Financial Conduct Authority, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The Board may decline to recognise any instrument of transfer relating to shares in certificated form unless it is in respect of only one class of share and is lodged (duly stamped) at the Company's registered office or such other place as the Board have appointed accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to showing the right of the transfer or to make the transfer (and, if the instrument of transfer is executed by some other person on his or her behalf, the authority of that person so to do). In the case of a transfer of shares in certificated form a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange the lodgement of share certificates will only be necessary if and to the extent that certificates have been issued in respect of the shares in question. The Directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four transferees. Subject to the Articles and the CREST Rules (as defined in the Uncertificated Securities Regulations, as amended), and apart from any class of wholly dematerialised security, the Board may permit any class of shares in the Company to be held in uncertificated form and, subject to the Articles, title to uncertificated shares to be transferred by means of a relevant system.

Change of control

Under the terms of the Company's share option schemes, upon a change of control of the Company following a takeover bid, an option holder shall be entitled to exercise the relevant option within a time period of not more than six (6) months. This would allow the exercise of awards subject to the discretion of the Remuneration Committee as to whether relevant performance conditions have been sufficiently satisfied and any pro-rating to be applied. There are a small number of client contracts which include a change of control clause in relation to the Group.

Amendment to the Articles

Amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of a special resolution in general meeting.

Appointment and replacement of Directors

Unless and until otherwise determined by ordinary resolution of the Company, Directors shall be no less than two (2) and no more than ten (10) in number. Directors may be appointed by the Company by ordinary resolution or by the Board. The Board complies with the 2018 Corporate Governance Code (the "Code") provision on annual re-election of all directors. The appointment and replacement of directors is governed by the company's Articles of Association (the "Articles"), the Code, Companies Act 2006 and other related legislation.

The Board may from time to time appoint one or more Directors to undertake such services for the Company that the Board may decide and such persons (other than those who hold an executive office or are employees of the Company or any subsidiary) will be entitled to be paid such fees as the Board will determine for their services to the Company as Directors but will not exceed in aggregate the sum of £1,000,000 per annum (excluding bonus arrangements and incentive schemes of the Company) or such greater sum as the Company in general meeting may determine.

Repurchase of own shares

At the Annual General Meeting held on 17 May 2023 members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 5,733,761 ordinary shares of 7 1/3 pence each (representing approximately 10% of the Company's issued share capital at that time). A resolution to give the Directors further authority for the Company to purchase its own shares is to be proposed at the forthcoming Annual General Meeting on 14 May 2024.

As reported in the Chairman's Statement and the Chief Executive Officer's Report, the Company has commenced an on-market share buyback programme of up to £20m over three years.

Significant contracts

There did not exist at any time during the year any contract involving the Company or any of its subsidiaries in which a Director of the Company was or is materially interested or any contract which was either a contract of significance with a controlling shareholder or a contract for the provision of service by a controlling shareholder. Related party transactions are disclosed on page 132.

Directors

Details of Directors who have held office during the year and up to the date of signing these financial statements are given below:

Ivan Martin (Chairman)
Alex Curran (appointed 12 July 2023)
Sara Dickinson
Mike Johns (appointed 17 May 2023)
Barbara Moorhouse
Jeremy Suddards (resigned 27 July 2023)
Philip Wood (resigned 20 July 2023)

Biographical details of the current Directors are given on the inside front cover of this Annual Report. The Company's Articles of Association require Directors to retire and offer themselves for re-election at least every three years, however, the Board has taken the decision that all Directors shall retire and offer themselves for re-election at each Annual General Meeting, in accordance with the recommendation of the 2018 Corporate Governance Code.

Information on the Directors' remuneration, share plan participation and service contracts are set out in the Directors' Remuneration Report on pages 45 to 60.

The Company has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors. The Directors also have the benefit of the indemnity provision contained at Article 138 of the Company's Articles of Association. Pursuant to this Article 138, the Company has granted indemnities for the benefit of current and future Directors of, and the Company Secretary of, the Company in respect of liabilities which may attach to them in their capacity as Directors of, or Company Secretary of, the Company to the extent permitted by law and also committed to maintain directors' and officers' insurance cover. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 December 2023 and continue in force, in relation to certain losses and liabilities which the Directors (or Company Secretary) may incur to third parties in the course of acting as Directors (or Company Secretary).

Treasury and foreign exchange

The Group has in place appropriate treasury policies and procedures, which are approved by the Board. The treasury function manages interest rates for both borrowings and cash deposits for the Group and is also responsible for ensuring there are appropriate facilities available to meet the Group's strategic plans.

In order to mitigate and manage exchange rate risk arising in respect of the Group's Innovation Centre in Poland, the Group routinely enters into forward contracts in respect of monthly transactions with that part of the Group's business. In the meantime, the Group continues to monitor exchange rate risk generally in respect of other foreign currency exposures.

In order to mitigate and manage interest rate risk the Group has in place an effective interest rate hedge to manage exposure on borrowings. An interest rate swap is used as a cash flow hedge of future interest payments, which has the effect of increasing the proportion of fixed interest debt.

These treasury policies and procedures are regularly monitored and reviewed. It is the Group's policy not to undertake speculative transactions which create additional exposures over and above those arising from normal trading activity.

See page 94 for further information on the Group's management of financial risk.

Overseas subsidiaries and branches

Details of the Group's subsidiaries, including those in overseas jurisdictions, are disclosed in Note 12 to the financial statements. The Group also currently operates overseas branches in the following countries: Australia, Hong Kong, Ireland, Netherlands, Singapore and Switzerland.

Section 172 statement

The Section 172 Statement is included in the Strategic Report on pages 20 to 22 and includes details of how the Directors have had regard for the need to foster good business relationships with its shareholders and other key stakeholders.

Auditors and disclosure of information to auditor

As far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware and each of the Directors has taken the steps that they ought to have taken as

Directors in order to make themselves aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

RSM UK Audit LLP have indicated their willingness to continue as Auditor and their re-appointment has been approved by the Audit Committee. Resolutions to re-appoint them and to authorise the Audit Committee to determine their remuneration will be proposed at the 2024 Annual General Meeting.

Corporate governance

The Group’s statement on corporate governance is included in the Corporate Governance Statement on pages 31 to 38 and incorporated into this Report of the Directors by reference.

Annual General Meeting

The forthcoming Annual General Meeting (“AGM”) will be held at 9.00 a.m. on Tuesday 14 May 2024 at the offices of Aptitude Software Group plc, 8th Floor, 138 Cheapside, London EC2V 6BJ. The Notice of the AGM contains the full text of resolutions to be proposed. Shareholders are welcome to attend the meeting in person, however, we ask that you register your intention to attend ahead of time so we can monitor numbers in readiness for the meeting.

To enable all shareholders to vote on all resolutions in proportion to their shareholding, voting at the 2024 AGM will be conducted by way of a poll. Shareholders are strongly encouraged to vote ahead of the meeting regardless of whether they plan to attend the AGM in person, to mitigate against the risk of disruptions such as train strikes. The Company will release the results of voting, including proxy votes on each resolution, on its website after the AGM and announce them through a regulatory news service.

Shareholders are also invited to submit questions ahead of the AGM. Details of how you can submit questions and cast your votes at the AGM are set out in the Notice of Meeting, which will be made available to shareholders by their chosen method of communication and is also available on our website. Further details can be found in the notice convening the AGM.

By Order of the Board

Alex Campbell
Company Secretary

20 March 2024

Independent Auditor's Report

to the members of Aptitude Software Group plc

Opinion

We have audited the financial statements of Aptitude Software Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated Statement of Changes in Shareholders' Equity, Company Statement of Changes in Shareholders' Equity, Consolidated and Company Statements of Cash Flows and notes to the financial statements, including 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 UK-adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 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 UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Summary of our audit approach	
Key audit matters	**Group** • Revenue recognition **Parent Company** • None
Materiality	**Group** • Overall materiality: £419,000 (2022: £316,000) • Performance materiality: £314,000 (2022: £237,000) **Parent Company** • Overall materiality: £200,000 (2022: £125,000) • Performance materiality: £150,000 (2022: £93,700)
Scope	Our audit procedures (excluding analytical review procedures) covered 100% of revenue, 99% of total assets and 99% of profit before tax.

Independent Auditor’s Report

to the members of Aptitude Software Group plc

Key audit matters

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

Revenue recognition	
Key audit matter description	The group’s key revenue recognition policies are set out on pages 86 to 89 of the financial statements and the critical accounting judgements and estimates relating to revenue recognition are set out on pages 99 to 101. **Software licence, subscription and maintenance revenue** A significant risk of fraud has been identified due to the involvement of significant management judgements and estimates in the recognition of licence, subscription and maintenance revenues. The key judgements and estimates are: • Assessment of licence, subscription and maintenance as a single performance obligation; • Assessment of implementation and solutions management services as separate performance obligations; • Recognition of revenue over time based on the input of consistent development activity; • The revenue constraint applied before the go-live date due to customer-specific circumstances. **Software implementation and services revenue** A significant risk of fraud has been identified in respect of implementation revenues, owing the degree to which management estimates impact the revenue recognition and the incentives to manipulate revenue. This is specifically in relation to the assessment of the stage of completion as represented by time costs incurred and estimates of cost yet to be incurred. The proportion of the contract fulfilled drives the right to recognise revenue and therefore estimation of the time required subsequent to the year end to deliver and complete the services to customer expectations is critical to revenue recognition.

How the matter was addressed in the audit	Our audit work included but was not restricted to: • Obtaining an understanding of the processes and controls around revenue recognition; • Reviewing the group's revenue recognition policy, including supporting accounting papers, to assess whether performed obligations have been appropriately identified and recognised in line with IFRS 15; • Challenging and assessing key management judgements impact the recognition of revenue in the period; and • Auditing the disclosures in the financial statements and evaluating whether the policy for revenue recognition is appropriately explained and critical judgements and key sources of estimation uncertainty are appropriately disclosed. Specifically for software licence, subscription and maintenance revenue, our audit work included but was not restricted to: • Auditing the IFRS 15 revenue calculations confirming the methodology applied is in line with the group's revenue recognition policy; • Agreeing inputs to the IFRS 15 calculations to signed customer contracts, recalculating the expected revenue based on management's IFRS 15 judgements and estimates and comparing to the actual revenue recognised; • Verifying the assessment of continuous development activity through the input method using staff allocation data and forecasts to review the level of development across the year; • Holding discussions with project managers about the key assumptions and judgements regarding continuous development activity and the pre "go-live" risks related to the constraints model; • Reviewing contract cancellations to assess the appropriateness of limiting revenue recognised to invoiced amounts pre "go-live" date and testing the application of the revenue recognition constraints to contracts in the period; • Performing completeness checks by reviewing a list of approved contracts from the contracts sales and management system and checking revenue has been recognised for all active contracts in the year, in line with the revenue recognition policy. Specifically for software implementation and services revenue, our audit work included but was not restricted to: • Testing the controls over the approval of timesheet reports and approval of invoices (including agreement to customer-signed Statement of Works where appropriate) prior to billing; • Verifying revenue recognised in the period to Statement of Works, supporting agreements, sales invoices and employee timesheet data where applicable; • Testing the completeness and accuracy of timesheet and budget data which drives invoicing; • Testing the completeness and accuracy of revenue deferred based on management's estimate of additional effort required to satisfy certain contractual obligations without incremental charge, and challenging management's estimates on specific projects; • Completing targeted testing procedures for revenue recognised around the reporting date through review of timesheet data reconciled to customer invoices and accrued revenue adjustments.
Key observations	Details of the key judgements and estimates applied in respect of revenue recognition are disclosed in "Critical accounting estimates and judgements" section of the Accounting Policies included in the financial statements. Based on the results of the audit procedures outlined above, we have no key observations to report.

Independent Auditor's Report

to the members of Aptitude Software Group plc

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£419,000 (2022: £316,000)	£200,000 (2022: £125,000)
Basis for determining overall materiality	4.8% of operating profit adjusted to exclude the amortisation charged in the year to align with the adjusted operating profit highlighted by management to users of the financial statements.	0.3% of net assets.
Rationale for benchmark applied	As a listed entity, a profit-driven figure is considered the most appropriate benchmark for users of the financial statements.	Net assets is considered to be the most appropriate benchmark for the parent company as it is primarily a holding company.
Performance materiality	£314,000 (2022: £237,000)	£150,000 (2022: £93,700)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £20,900 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £10,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 8 components, located in the following countries:

- United Kingdom
- United States
- Poland
- Canada
- Singapore

Full scope audits were performed for 3 components, limited scope audit procedures for 3 components and analytical procedures at group level for the remaining 2 components.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	3	89%	95%	63%
Limited scope audit	3	11%	5%	36%
Analytical procedures	2	0%	0%	1%
Total	**8**	**100%**	**100%**	**100%**

Limited scope audit procedures were performed on components which were not financially significant by size but included significant risks, or where procedures were performed on specific balances to provide sufficient coverage of these financial statement areas for the purposes of the group audit. The limited scope procedures included testing of revenue and associated balance sheet amounts described in the key audit matters section above.

Further audit procedures over the consolidation and areas of significant judgement, including impairment of goodwill, share based payments and taxation were performed at group level.

All audit work was completed by the group audit team and no component auditors were used in our audit.

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's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Checking the arithmetic accuracy of the forecasts that form the basis of the Directors' going concern assessment and viability statement;
- Assessing the appropriateness of the period used for the viability statement;
- Corroborating the cash balances used as the starting point for the forecasts by confirming to bank confirmations;
- Challenging management's forecasts and comparing the 2024 budget to YTD results and order book;
- Assessing covenant compliance within the period and agreeing that management forecasts and viability statement data is compliant with covenant requirements;
- Assessing the assumptions made in management's stress-testing and reviewing contingency planning;
- Completing further sensitivity analysis and stress-testing;
- Auditing the disclosures in the financial statements in respect of going concern and viability.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or 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 entity reporting on how they have 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Independent Auditor’s Report

to the members of Aptitude Software Group plc

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Director’s Report.

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

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

Corporate governance statement

We have reviewed 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 by the Listing Rules.

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 and our knowledge obtained during the audit:

- Directors’ statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 62 to 64;
- Directors’ explanation as to their assessment of the group’s prospects, the period this assessment covers and why the period is appropriate set out on page 62;
- Directors’ statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 64;
- Directors’ statement on fair, balanced and understandable set out on page 62;
- Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 63;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 38 to 39; and,
- Section describing the work of the audit committee set out on pages 35 to 38.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 61 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the group audit engagement team included:
UK-adopted IAS and Companies Act 2006	• Review of the financial statement disclosures and testing to supporting documentation. • Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	• Inspection of advice received from internal / external tax advisors. • Consultation with a tax specialist regarding the approach taken to the audit of tax. • Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	• The audit procedures performed in relation to revenue recognition are documented in the key audit matters section of our audit report.
Treatment of development costs	• Review of management's paper considering the application of IAS 38 and the treatment adopted by the group. • Interviewing relevant personnel to understand the nature of development activities undertaken during the year and challenging management on the justification for non-capitalisation.
Management override of controls	• Testing the appropriateness of journal entries and other adjustments. • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias. • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Other matters which we are required to address.

Following the recommendation of the audit committee, we were appointed by management in September 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods.

The period of total uninterrupted consecutive appointment is 3 years, covering the years ending 31 December 2021 to 31 December 2023.

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

Our audit opinion is consistent with the additional report to the audit committee in accordance with ISAs (UK).

Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosures Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEP RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Graham Ricketts (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

20 March 2024

Consolidated Income Statement

for the year ended 31 December 2023

		Year ended 31 Dec 2023			Year ended 31 Dec 2022		
	Note	**Before non-underlying items £000**	**Non-underlying items £000**	**Total £000**	Before non-underlying items £000	Non-underlying items £000	**Total £000**
Revenue	1,2	74,685	—	**74,685**	74,394	—	74,394
Operating costs	3	(64,959)	(4,441)	**(69,400)**	(66,887)	(3,822)	(70,709)
Operating profit	3	9,726	(4,441)	**5,285**	7,507	(3,822)	3,685
Finance income	5	282	—	**282**	18	—	18
Finance costs	5	(527)	—	**(527)**	(498)	—	(498)
Net finance costs		(245)	—	**(245)**	(480)	—	(480)
Profit before income tax		9,481	(4,441)	**5,040**	7,027	(3,822)	3,205
Income tax expense	6	(1,786)	871	**(915)**	(1,481)	871	(610)
Profit for the period from continuing operations		**7,695**	**(3,570)**	**4,125**	5,546	(2,951)	2,595
Earnings per share							
Basic	7			**7.2p**			4.5p
Diluted	7			**7.1p**			4.5p

The accounting policies and notes on pages 84 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	**Group Year ended 31 Dec 2023 £000**	Group Year ended 31 Dec 2022 £000
Profit for the year		**4,125**	2,595
Other comprehensive income/(expense)			
Items that will or may be reclassified to profit or loss:			
Cash flow hedges reclassified to income statement	25	**(1,242)**	187
Gain on effective cash flow hedges	25	**1,044**	1,445
Currency translation difference		**(954)**	1,972
Deferred tax on cash flow hedges	25	**50**	(335)
Other comprehensive (expense)/income for the year, net of tax		**(1,102)**	3,269
Total comprehensive income for the year		**3,023**	5,864

The accounting policies and notes on pages 84 to 132 are an integral part of these consolidated financial statements.

Balance Sheets

At 31 December 2023

	Note	Group As at 31 Dec 2023 £000	Group As at 31 Dec 2022 £000	Company As at 31 Dec 2023 £000	Company As at 31 Dec 2022 £000
ASSETS					
Non-current assets					
Property, plant and equipment including right-of-use assets	9	**4,484**	5,103	**24**	15
Goodwill	10	**46,006**	46,006	**—**	—
Intangible assets	11	**17,739**	21,120	**—**	—
Investments in subsidiaries	12	**—**	—	**68,808**	68,510
Other long-term assets	13	**1,016**	1,307	**—**	—
Deferred tax assets	15	**1,379**	423	**—**	—
		70,624	73,959	**68,832**	68,525
Current assets					
Trade and other receivables	16	**12,526**	12,297	**548**	452
Financial assets – derivative financial instruments	17	**1,141**	1,339	**534**	812
Current income tax assets	14	**1,037**	1,352	**500**	1,951
Cash and cash equivalents	18	**34,085**	29,245	**22,951**	14,340
		48,789	44,233	**24,533**	17,555
Total assets		**119,413**	118,192	**93,365**	86,080
LIABILITIES					
Current liabilities					
Financial liabilities					
– borrowings	19	**(1,250)**	(1,250)	**(1,250)**	(1,250)
Trade and other payables	20	**(40,773)**	(38,146)	**(14,882)**	(14,982)
Capital lease obligations	21	**(426)**	(553)	**—**	—
Current income tax liabilities		**(1,588)**	(119)	**—**	—
Provisions	22	**(100)**	(114)	**—**	—
		(44,137)	(40,182)	**(16,132)**	(16,232)
Net current assets		**4,652**	4,051	**8,401**	1,323
Non-current liabilities					
Financial liabilities – borrowings	19	**(7,139)**	(8,347)	**(7,139)**	(8,347)
Capital lease obligations	21	**(2,588)**	(3,196)	**—**	—
Provisions	22	**(268)**	(202)	**—**	—
Deferred tax liabilities	15	**(4,967)**	(5,724)	**(84)**	(116)
		(14,962)	(17,469)	**(7,223)**	(8,463)
NET ASSETS		**60,314**	60,541	**70,010**	61,385
SHAREHOLDERS' EQUITY					
Share capital	23	**4,204**	4,204	**4,204**	4,204
Share premium account	24	**11,959**	11,959	**11,959**	11,959
Capital redemption reserve		**12,372**	12,372	**12,372**	12,372
Other reserves	25	**34,989**	35,199	**17,707**	17,978
(Accumulated losses)/retained earnings	26	**(2,349)**	(3,286)	**23,768**	14,872
Foreign currency translation reserve		**(861)**	93	**—**	—
TOTAL EQUITY		**60,314**	60,541	**70,010**	61,385

The accounting policies and notes on pages 84 to 132 are an integral part of these consolidated financial statements.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. The profit for the year of the Company was £12,053,000 (2022: loss for the year £791,000), see note 26 for details.

The financial statements on pages 78 to 132 were authorised for issue by the Board of Directors on 20 March 2024 and were signed on its behalf by:

Ivan Martin
Director

Michael Johns
Director

Company Registered Number: 01602662

Consolidated Statement of Changes in Shareholders’ Equity

for the year ended 31 December 2023

				Attributable to owners of the Parent				
	Note	Share capital £000	Share premium account £000	(Accumulated losses)/ retained earnings £000	Foreign currency translation reserve £000	Capital redemption reserve £000	Other reserves £000	**Total equity £000**
Group								
Balance at 1 January 2022		**4,194**	**11,946**	**(3,346)**	**(1,879)**	**12,372**	**33,902**	**57,189**
Profit for the year	26	—	—	2,595	—	—	—	**2,595**
Cash flow hedges reclassified to income statement	25	—	—	—	—	—	187	**187**
Gain on effective cash flow hedges	25	—	—	—	—	—	1,445	**1,445**
Deferred tax on cash flow hedges	25	—	—	—	—	—	(335)	**(335)**
Exchange rate adjustments		—	—	—	1,972	—	—	**1,972**
Total comprehensive income for the year		—	—	**2,595**	**1,972**	—	**1,297**	**5,864**
Shares issued under share option schemes	23-24	10	13	—	—	—	—	**23**
Share options – value of employee service	15	—	—	695	—	—	—	**695**
Deferred tax on share options	26	—	—	(137)	—	—	—	**(137)**
Dividends to equity holders of the company		—	—	(3,093)	—	—	—	**(3,093)**
Total contributions by and distributions to owners of the company recognised directly in equity		10	13	(2,535)	—	—	—	**(2,512)**
Balance at 31 December 2022		4,204	11,959	(3,286)	93	12,372	35,199	**60,541**
Profit for the year	26	—	—	4,125	—	—	—	**4,125**
Cash flow hedges reclassified to income statement	25	—	—	—	—	—	(1,242)	**(1,242)**
Gain on effective cash flow hedges	25	—	—	—	—	—	1,044	**1,044**
Deferred tax on cash flow hedges	25	—	—	—	—	—	50	**50**
Exchange rate adjustments		—	—	—	(954)	—	—	**(954)**
Total comprehensive income for the year		—	—	4,125	(954)	—	(148)	**3,023**
Share options – value of employee service	26	—	—	125	—	—	—	**125**
Transfer on exercise of options	25	—	—	(151)	—	—	124	**(27)**
Purchase of own shares	25	—	—	—	—	—	(186)	**(186)**
Deferred tax on share options	15	—	—	(66)	—	—	—	**(66)**
Dividends to equity holders of the company	8	—	—	(3,096)	—	—	—	**(3,096)**
Total contributions by and distributions to owners of the company recognised directly in equity		—	—	(3,188)	—	—	(62)	**(3,250)**
Balance at 31 December 2023		**4,204**	**11,959**	**(2,349)**	**(861)**	**12,372**	**34,989**	**60,314**

The accounting policies and notes on pages 84 to 132 are an integral part of these consolidated financial statements.

Company Statement of Changes in Shareholders' Equity

for the year ended 31 December 2023

	Note	Share capital £000	Share premium account £000	Retained earnings £000	Capital redemption reserve £000	Other reserves £000	Total equity £000
		Attributable to owners of the Company					
Company							
Balance at 1 January 2022		**4,194**	**11,946**	**18,116**	**12,372**	**17,369**	**63,997**
Loss for the year	26	—	—	(791)	—	—	**(791)**
Cash flow hedges							
Gain on effective cash flow hedges						812	**812**
Deferred tax on cash flow hedges	25	—	—	—	—	(203)	**(203)**
Total comprehensive income for the year		**—**	**—**	**(791)**	**—**	**609**	**(182)**
Shares issued under share option schemes	23-24	10	13	—	—	—	**23**
Share options – value of employee service	26	—	—	695	—	—	**695**
Deferred tax on share options	15	—	—	(55)	—	—	**(55)**
Dividends to equity holders of the company	8	—	—	(3,093)	—	—	**(3,093)**
Total Contributions by and distributions to owners of the company recognised directly in equity		10	13	(2,453)	—	—	**(2,430)**
Balance at 31 December 2022		**4,204**	**11,959**	**14,872**	**12,372**	**17,978**	**61,385**
Profit for the year	26	—	—	12,053	—	—	**12,053**
Cash flow hedges reclassified to income statement	25	—	—	—	—	(302)	**(302)**
Gain on effective cash flow hedges	25	—	—	—	—	23	**23**
Deferred tax on cash flow hedges	25	—	—	—	—	70	**70**
Total comprehensive income for the year		—	—	12,053	—	(209)	**11,844**
Share options – value of employee service	26	—	—	73	—	—	**73**
Transfer on exercise of options	25	—	—	(151)	—	124	**(27)**
Purchase of own shares	**25**	—	—	—	—	(186)	**(186)**
Deferred tax on share options	15	—	—	17	—	—	**17**
Dividends to equity holders of the company	8	—	—	(3,096)	—	—	**(3,096)**
Total Contributions by and distributions to owners of the company recognised directly in equity		—	—	(3,157)	—	(62)	**(3,219)**
Balance at 31 December 2023		**4,204**	**11,959**	**23,768**	**12,372**	**17,707**	**70,010**

The accounting policies and notes on pages 84 to 132 are an integral part of these consolidated financial statements.

Statements of Cash Flow

for the year ended 31 December 2023

	Note	Group Year ended 31 Dec 2023 £000	Group Year ended 31 Dec 2022 £000	Company Year ended 31 Dec 2023 £000	Company Year ended 31 Dec 2022 £000
Cash flows from operating activities					
Cash generated from/(used in) operations	27	**11,945**	5,272	**11,931**	(1,203)
Interest paid		**(316)**	(498)	**(315)**	(375)
Income tax (paid)		**(635)**	(1,597)	**—**	(1,451)
Net cash flows generated from/(used in) operating activities		**10,994**	3,177	**11,616**	(3,029)
Cash flows from investing activities					
Purchase of property, plant and equipment, excluding right-of-use assets	9	**(601)**	(831)	**(19)**	(11)
Interest received		**282**	18	**273**	18
Net cash (used in)/generated from investing activities		**(319)**	(813)	**254**	7
Cash flows from financing activities					
Net proceeds from issuance of ordinary shares	24	**—**	23	**—**	23
Dividends paid to company's shareholders	8	**(3,096)**	(3,093)	**(3,096)**	(3,093)
Purchase of own shares	25	**(186)**	—	**(186)**	—
Repayments of loan	19	**(1,250)**	(313)	**(1,250)**	(313)
Extension fee on loan	19	**(40)**	—	**—**	—
Repayment of capital lease obligations	21	**(534)**	(405)	**—**	—
Amounts received from group undertakings	20	**—**	—	**71,037**	59,184
Amounts borrowed from group undertakings	20	**—**	—	**(69,764)**	(57,937)
Net cash (used in)/generated from financing activities		**(5,106)**	(3,788)	**(3,259)**	(2,136)
Net increase/(decrease) in cash and cash equivalents		**5,569**	(1,424)	**8,611**	(5,158)
Cash, cash equivalents and bank overdrafts at beginning of year	18	**29,245**	29,064	**14,340**	19,498
Exchange rate (losses)/gains on cash and cash equivalents		**(729)**	1,605	**—**	—
Cash and cash equivalents at end of year	18	**34,085**	29,245	**22,951**	14,340

	Liabilities from financing activities			Other assets	
	Borrowings £000	**Leases £000**	**Subtotal £000**	**Cash £000**	**Total £000**
Net funds as at 1 January 2023	(9,597)	(3,749)	(13,346)	29,245	15,899
Financing cash flows	1,250	534	1,784	5,569	7,353
De-recognition of leases	—	168	168	—	168
Foreign exchange adjustments	—	162	162	(729)	(567)
Unamortised prepaid facility arrangement fees	(42)	—	(42)	—	(42)
Interest expense	(316)	(129)	(445)	—	(445)
Interest payments (presented as operating cash flows)	316	—	316	—	316
Net funds as at 31 December 2023	(8,389)	(3,014)	**(11,403)**	34,085	**22,682**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

The accounting policies and notes on pages 84 to 132 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

ACCOUNTING POLICIES

General information

The Company is a public company limited by shares and incorporated and domiciled in England and Wales.

The Group consolidated financial statements were authorised for issue by the Board of Directors on 20 March 2024.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated and parent financial statements of Aptitude Software Group plc have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority. The consolidated and parent financial statements have been prepared under the historical cost basis, as modified by the revaluation of financial assets and financial liabilities (including derivatives) which are recognised at fair value.

The presentation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated and parent financial statements are disclosed on pages 99 and 102.

Amounts presented have been disclosed to the nearest £'000 unless otherwise stated.

Going Concern

After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have prepared forecasts for going concern which show that the Group will have sufficient cash to operate and meet their operating liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements. Information used to make this decision is detailed below.

A scenario testing exercise was performed for the period covered by the going concern forecast, including considering management's base case forecast and an extreme downside scenario where no new customers were won, which is far more pessimistic than current situations may suggest. In all scenarios Aptitude remains comfortably profitable and cash generative in the years under review. Financial performance in 2024 is not expected to be materially different from current year levels due to the long-range revenue visibility achieved through the recurring revenue business model. These recurring revenues, representing over 60% of total revenue, are resilient given the nature of the Group's enterprise applications which are typically heavily integrated and central to clients' mission-critical long-term financial reporting and subscription management processes, underpinned by minimum contractual terms of up to six years at inception.

The Directors are reassured that the Group is financially robust benefitting from a cash balance at 31 December 2023 of £34.1 million and net funds of £22.7 million. Additionally, the Group is cash generative and profitable, reporting Adjusted Operating Profit in the year of £9.7 million. See page 4 for definitions of how these metrics are calculated.

Supplementing these strengths, Aptitude benefits from a diverse client base, across multiple geographies and industries.

The business benefits from a recurring revenue model in which software licence and subscription fees are typically received annually in advance.

Changes in Accounting policy and disclosures

(a) New standards, interpretations and amendments effective from 1 January 2023

The Group has applied the following new standards, amendments and interpretations for the first time for their annual reporting period commencing 1 January 2023:

- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IFRS 17: Insurance Contracts

The adoption of these standards did not have a material impact on the Group's consolidated financial statements.

(b) New standards and interpretations that have not been early adopted

None of the new standards, amendments and interpretations, which are effective for periods beginning after 1 January 2024 and which have not been adopted early, are expected to have a significant effect on the consolidated financial statements of the Group.

Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company, Aptitude Software Group plc and its subsidiary undertakings ("subsidiaries") prepared at the consolidated statement of financial position date.

Subsidiaries are entities controlled by the Group. The Group has control over an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and it has the power over the entity to effect those returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating activities. The results of subsidiaries are consolidated from the date on which control passes to the Group. Results of disposed subsidiaries are consolidated up to the date on which control passes from the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

Revenue recognition

Revenue comprises the transaction price, being the amount of consideration the Group expects to be entitled to in exchange for transferring promised goods or services to a customer in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group derives its revenues from the following categories:

- software based activity relating to the Group's intellectual property (comprising software licences, maintenance, support, software subscription fees, financial transactions, usage fees along with funded development and related consultancy); and
- general consultancy services.

The Group recognises revenue from each of these categories as follows:

Software based activity

Software licence, software subscription and maintenance fees

The Group licences its software on an Annual Licence Fee, Initial Licence Fee or Perpetual Licence Fee basis. The Group also has a number of Software-as-a-Service offerings with software subscription fees being recognised in the same manner as Annual Licence Fees.

Within the policy, the Group references three distinct periods which drives the method by which these revenues are recognised, being the initial contractual term, the auto-renewal period and the optimisation period. These periods and the relationship between them is outlined below:

- Initial contractual term – The period over which the transaction price for each contract is recognised.
- Auto renewal period – On conclusion of the initial contractual term, customers enter into auto renewal periods which are typically twelve months in length. Under the terms of the contract the customer has no material right to enter into these renewal periods which consequently have been determined as representing a new contract under IFRS 15.
- Optimisation period – The period assessed by management on inception of the contract over which the revenues are recognised, representing the duration of time during which the most significant optimisation and functional enhancement of the software is undertaken. Where this period is greater in length than the initial term of the contract, the revenues recognised across the contractual term are capped at the total value of the contract.

Assessment of performance obligations

On inception of each contract, the Group assesses whether ongoing contractual obligations, charged as software maintenance, represent a separately distinct performance obligation and promise from either the licence or subscription fees. If not distinct, the software licence and maintenance fees form part of a combined performance obligation. If the licence/subscription is distinct it is recognised separately from the other performance obligations at the time of the delivery of the licenced software.

In assessing whether a licence is distinct from the software maintenance, the Group considers the scope of maintenance services being provided which extends to the significant continuing requirement to:

- optimise functionality within the software;
- optimise performance of the software; and
- provide technical and functional enhancements to ensure continued user regulatory compliance.

For all existing contracts, it is determined that the software licence/subscription and maintenance fees form part of a combined performance obligation. The transaction price agreed in the licence and maintenance contract is therefore allocated in full to this combined performance obligation with the selling price determined by way of the fixed annual licence or subscription fees paid annually in advance.

How the combined performance obligation is recognised

Where the software licence, subscription and maintenance fees meet the criteria of a combined performance obligation, the Group determines for each contract the most appropriate method of recognising revenue. This assessment was completed with reference to paragraph 35 of IFRS 15, in which it was determined that the criteria within Paragraph 35(a) had been met in respect of recognising the combined performance obligation over time. This is through the customer simultaneously receiving the benefit of accessing and utilising the software from inception of the contract across the period due to the need for the software to adapt over time to the changing needs of the client and complexities of the regulatory environment.

Method of revenue recognition in respect of the performance obligations

In determining the most accurate measure of recognising revenue, the business concluded that this should be done in line with the development activity related to the relevant product. This development activity incorporates the effort incurred in optimising both the functionality and performance of the software whilst providing technical and functional enhancements.

Measurement of the development activity is completed by way of the input method, with management providing an initial estimate of the overall expected development hours to be incurred across the contract period. This estimate is then reviewed against actual hours incurred at the end of each reporting period. Once the Group concludes on the revenue recognition profile, the business determines on a contract by contract basis the period over which the revenues are recognised. This period is defined as the optimisation period and represents the duration of time assessed by management during which the most significant optimisation and functional enhancement of the software is undertaken.

For both periods presented, all contracts assessed were considered to have a consistent development activity based on management's assessment of the overall development hours expected to be incurred across the optimisation period. This assessment was supported by the review against actual hours incurred at the end of each reporting period.

Revenue recognition constraint

Given the highly specialised nature of the software and demands of the customer, the implementation of this software (provided through a separate statement of work) is complex and frequently involves multi-phase roll outs which identify new requirements over an extended period of time. Consequently, the period prior to the successful integration of the Group's application with the customer's system (or Go-Live date), provides enhanced levels of contractual risk for the Group in respect of the licence and maintenance agreement. Under the terms of the contract, both parties have enforceable rights and obligations to terminate over the length of the agreement to the extent that the implementation of the software is not feasible.

Consequently, during the period from the Group initially licencing its software to the product being deployed into a live client environment, an ongoing assessment is performed by management on a contract by contract basis to determine if sufficient challenges exist that would cast doubt over future economic benefits being realised by the business. Where such challenges exist, the revenue recognised across the period is constrained to the value of any amount invoiced and paid prior to the end of the reporting date, with this being assessed as the consideration during the period up to deployment. Once the software is deployed, the amount of revenue recognised is adjusted so that it is proportional to the Group's development effort to date against the total expected development hours to be incurred across the contract period.

Revenue recognition where the optimisation period is longer than initial term of the contract

Where the optimisation period for a client is assessed by management as being greater than the initial term of the contract, being the minimum term of the signed contract before auto renewal, the revenues recognised across the initial term are equal to the total value of the contract.

Entry into auto-renewal periods during the optimisation period

Where a client's initial contract term is shorter than the optimisation period assessed by management, the client will enter auto renewal periods. Per IFRS 15, the Group has concluded that the entry into each auto renewal period represents a new contract due to the customer having no material right under the terms of the contract to enter into these renewal periods.

Consequently, an assessment of whether the licence and maintenance services still represent a combined performance obligation is performed.

In assessing whether a licence is distinct from the software maintenance, the Group determined that the scope of maintenance services being provided aligns with the assessment made on inception of the contract and therefore all existing contracts continue to form part of a combined performance obligation.

On completion of this assessment, the Group has determined that the development activity should continue to be utilised as the most appropriate method of recognising revenue across the auto-renewal period.

Entry into auto-renewal periods post optimisation period

The transfer of the combined performance obligation is considered complete once the optimisation period concludes at which point all clients have entered their auto renewal period. Per IFRS 15, the Group has concluded that the entry into each auto renewal period represents a new contract under which an assessment of whether the licence and maintenance services still represent a combined performance obligation is performed. This conclusion was underpinned by the customer having no material right under the terms of the contract to enter into these renewal periods.

In assessing whether the licence is distinct from the software maintenance, the Group considers the following:-

– the level of interrelation between the software licence and services provided;

– the continuing requirements of the client to receive highly functioning, serviced software; and

– the contractual terms and conditions set out in the annual renewal period and whether they are consistent with the initial term

For both the current and prior year, the Group has determined that the licence and maintenance services for all existing contracts entering their auto renewal period post optimisation period still represent a combined performance obligation.

On completion of this assessment, the Group determines for each contract the most appropriate revenue recognition method and has concluded that the development activity related to the relevant product should continue to be utilised.

The annual licence and subscription fee is then recognised across the auto renewal period based on the application of this method. In all current cases, the development activity is determined to be consistent across the auto-renewal period in accordance with paragraph B18 of IFRS 15.

Product specific consultancy (implementation services)

Consultancy services which relate to a project which includes the Group's software is contracted for on either a time and materials basis or fixed priced basis and represents a distinct performance obligation from the software licence, software subscription and maintenance fees. Time and materials consultancy is recognised in the period it is performed in. Fixed price or shared risk work is recognised on a percentage completion basis of the remaining unbilled milestones. The percentage completed is determined with reference to effort incurred to date and effort required to complete the development or consultancy. This method, used to calculate revenue recognition, is appropriate on the basis that the services are transferred to the customer as the development or consultancy work occurs.

For any contract involving a client licencing one of the Group's products, an assessment is made by management at the year-end of the expected amount of any additional consultancy effort to be provided to satisfy certain contractual obligations without incremental charge. Where such effort is anticipated, an accompanying deferral is calculated based on the value of this time if charged to the client and is recognised through the deferral of revenues.

Financial transactions and usage fees

Financial transactions and usage fees are billed to clients utilising the e-Suite software on a monthly basis based on a per transaction fee. The volume of transactions generated each month is driven wholly by the client, with no minimum commitment fee in place. Revenue generated from financial transaction and usage contracts is therefore recognised in the month they arise.

Solution management services

Solution management services go beyond the Group's software maintenance services to include services typically performed by the clients' own IT teams, including for example, the monitoring of system performance, user administration and release management. The client will commit to a monthly, quarterly or annual fee that covers an agreed level of services. Revenue from solution management services are recognised on a straight-line basis over the period of the services being provided.

Support fees

Support fees are billed to clients where the Group's software is licensed by a client and that client contracts with the Group for support relating to the solution. The client will commit to a minimum monthly, quarterly or annual fee that covers an agreed level of support and then agrees additional fees for support used over and above the minimum commitment. Revenue from support contracts are recognised as the fees are earned.

Funded development

Where customers wish to accelerate the product development, the Group undertakes funded development work. Revenue for funded development work is recognised on a percentage completed basis after deferring a proportion of the revenue to cover the resolution of any issues arising after the enhancement has been delivered to the customer. The percentage completed is determined with reference to effort required to complete the development. Once the enhancement has been accepted by the customer the deferred portion of the revenue is recognised.

Commissions

Software sales commission costs meet the definition under IFRS 15 of incremental costs of obtaining a contract. As a result, an asset is recognised at inception of the contract for the total value of commissions payable which will typically be amortised across the optimisation period, this being the period assessed by management over which significant modification and optimisation is required in respect of each client.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to key decision makers. These decision makers are responsible for allocating resources and assessing performance of the operating segments.

The primary segmental reporting is by operating segment, the Group operates only one segment, this being the Aptitude business. The chief operational decision makers for the segment are Alex Curran (Acting Chief Executive Officer) and Mike Johns (Chief Financial Officer).

Non-underlying items

Non-underlying items are significant items of income or expense which are disclosed and described separately in the accounts where it is necessary to do so in order to provide a better understanding of the financial performance of the Group. These items include the costs of acquiring a Group subsidiary, post acquisition and group restructuring costs, and the amortisation of acquired intangibles.

Property, plant and equipment including right-of-use assets

Property, plant and equipment is shown at historic purchase cost less accumulated depreciation and adjusted for any impairment. Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term, full details of the initial recognition and ongoing measurement of these assets is provided within the leasing policy note on pages 92 to 93. Land is not depreciated. Costs include expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on assets so as to write off the cost of property, plant and equipment less their residual value over their estimated useful economic lives by equal annual instalments at the following rates.

Leasehold improvements	10 – 20 per cent (or the life of the lease if shorter)
Plant and machinery	10 – 50 per cent
Fixtures and fittings	10 – 20 per cent

Estimation of the useful economic life includes an assessment of the expected rate of technological developments and the intensity at which the assets are expected to be used.

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised on the balance sheet and subject to an annual impairment test. The carrying value of goodwill is cost less accumulated impairment. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combinations in which the goodwill arose. The Group is currently treated as a single CGU. Impairment reviews are carried out by the Board at least annually. Impairments to goodwill are charged to the income statement in the period in which they arise.

Notes to the Consolidated Financial Statements

Intangible assets

Research and Development ("R&D")

Research expenditure is expensed to the income statement as incurred. Costs incurred on internal development projects relating to new or substantially improved products are recognised as intangible assets from the date upon which all IAS 38 criteria have been satisfied.

In assessing the IAS 38 criteria it is considered that because of the challenges presented by the complexity of underlying software development issues and the competitive nature of the markets in which we operate, the technical feasibility and future probability of development has only been satisfied once the product is deployed into a live customer environment. Accordingly development costs have not been capitalised. The Group however continues to assess the eligibility of development costs for capitalisation on a project-by-project basis.

Costs which are incurred after the general release of internally generated software, or costs which are incurred in order to enhance existing products by way of minor or major upgrades, or other changes in software functionality, do not satisfy the criteria in order to capitalise. Such expenditure is therefore recognised as an expense in the period in which they are incurred and included within research and development expense in the income statement.

Externally acquired software intellectual property rights

Rights in externally acquired software assets are capitalised at cost and amortised over their estimated useful economic life. Useful economic life is assessed on an individual basis.

Software Intellectual Property Rights

Software Intellectual Property Rights ("IPR") is recognised only on acquisition. The fair value is derived based on time spent on the project at an average daily cost rate. The carrying value is stated at fair value at acquisition less accumulated amortisation and impairment losses. The useful economic life is assessed on an individual basis. Amortisation is charged on a straight line basis over the estimated useful economic life of the assets.

Customer relationships

Client relationships are recognised only on acquisition. The fair value in respect of the Revstream acquisition is derived based on discounted cash flows from estimated recurring revenue streams. The fair value in respect of the MPP Global acquisition is derived based on the value of customer related assets based on future cash flows should those assets be replaced. The carrying value is stated at fair value at acquisition less accumulated amortisation and impairment losses. The useful economic life is assessed on an individual basis. Amortisation is charged on a straight line basis over the estimated economic useful life of the assets.

For details about amortisation methods and periods used by the Group for intangible assets see note 11.

Interest income and expense

Interest is recognised using the effective interest method.

Impairment of non-financial assets

Assets that have an indefinite useful economic life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Any impairment of goodwill is not reversed.

Investments

Investments in subsidiaries are stated in the financial statements of the Company at cost less any provision for impairment.

Cash and cash equivalents

Cash is defined as cash in hand and on demand deposits. Cash equivalents are defined as short term, highly liquid investments with original maturities of three months or less.

Share-based payments

The Group operates share-based compensation plans that are equity settled. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the Group income statement over the vesting period with a corresponding adjustment to equity. The expense for options granted is included within operating costs. The charge taken to the Company income statement reflects only those options granted to employees of the Company with the remainder granted to employees employed under subsidiary companies. These options are treated in a similar manner to capital contributions with an addition to investments.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

For market-based conditions, there is no re-measurement at subsequent reporting dates. Therefore, once determined, the accounting expense will not be reduced if the performance target is not met and awards do not vest.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Where the options granted have market based vesting conditions attached, the Group utilises the Monte Carlo pricing model. For all other option grants the Black Scholes pricing model is applied.

Further details on the Group’s share based compensation plans are provided in note 29.

Foreign 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 the entity operates. The consolidated financial statements are presented in sterling, which is the Group’s presentational currency.

Foreign transactions are translated into the functional currency at the exchange rate ruling when the transaction is entered into. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

On consolidation, the balance sheet of each overseas subsidiary is translated at the closing rate at the date of the balance sheet, and the income and expenses for each income statement are translated at the average exchange rate for the period subject to revenue from overseas subsidiaries’ quarterly, half yearly or annual invoices for Annual Licence Fees or Maintenance being recognised at the exchange rate at the point of invoicing. Exchange gains and losses arising thereon are recognised as a separate component of equity. The main overseas balance sheets requiring translation are denominated in US Dollar, Singapore Dollar, Polish Zloty and Canadian Dollar.

Exchange differences arising from the translation of the net investment in foreign subsidiaries are taken to shareholders’ equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Pensions

The Group operates defined contribution retirement benefit plans in respect of its UK employees and for employees in certain overseas territories. Employee and employer contributions are based on basic earnings for the current year. The schemes are funded by payments to trustee-administered funds completely independent of the Group’s finances. The expense is recognised on a monthly basis as accrued. The Group has no further payment obligations once the contributions have been paid.

Notes to the Consolidated Financial Statements

Tax incentive schemes

Entities within the Group are entitled to claim special tax deductions in relation to qualifying research and development expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

Current and deferred income tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Trade and other receivables

Trade and other receivables are recognised initially at transaction price and to the extent that it is deemed necessary are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group assesses impairment on a forward-looking basis using the expected credit loss method and has applied the simplified approach which permits the use of the lifetime expected loss provision for all trade and other receivables.

The amount of any provision is recognised in the income statement within other operating costs.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are generally settled on 30 day terms.

Leasing

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purposes the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

On lease commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use asset is periodically reviewed and if applicable, adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate adjusted for lease specific and asset specific terms where required. Generally, the Group uses its incremental borrowing rate as the discount rate adjusted for lease specific and asset specific terms where required.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- Lease payments in an option renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at the present value of the future minimum lease payments discounted at the incremental rate of borrowing. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Where the Group leases properties with no defined lease term, management have made an estimate of the remaining lease term on commencement date based on their view of the business needs. The lease liability is then remeasured if circumstances arise which change management's perception of the remaining lease term and subsequent future lease payments.

If the contract includes options to break or terminate the lease which are at the right of the lessor, the Group measures the lease term based on the expectation that these will lapse unless it has been made aware at the time of adoption. If subsequently the lessor decides to exercise any of these options, the lease liability is then remeasured due to the change in future lease payments.

When the lease liability is remeasured in the above circumstances, a corresponding adjustment is made to the carrying value of the right-of-use asset, or is recorded in the profit or loss if the carrying value of the right-of-use asset has been reduced to zero.

Where the Group has a legal obligation for future expenditure in relation to onerous lease properties which are either vacant or being sublet, the right-of-use asset is adjusted by the present value of management's best estimate of the expenditure required to settle the present obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the lease agreement.

The Group presents right-of-use assets within "property, plant and equipment" and lease liabilities in "capital lease obligations".

Short term lease and leases of low-value assets

The Group has elected to take the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group defines leases of low-value assets as being any lease agreement where the total value of payments made across the lease term is less than £5,000.

The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

Provisions are created on the Group's leased properties where it has a legal obligation to return them to their fair condition at the end of their respective lease terms. The provision is measured at the present value of management's best estimate of the future expected repair costs required at the balance sheet date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability.

Notes to the Consolidated Financial Statements

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or in respect of interim dividends when they are paid.

Dividend income

Dividend income to the Company received from subsidiary investments is recognised in the Company income statement in the period in which it is paid.

Derivative financial instruments and hedging activities

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure.

Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement except where the derivative is a designated hedging instrument. The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is committed to. At inception of the hedge relationship, the Group documents the economic relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objectives and strategy for undertaking its hedging transactions. At the year-end the Group has designated its derivatives as a hedge of the cost of a highly probable forecasted transaction commitment ('cash flow hedge'). Gains or losses on cash flow hedges that are regarded as highly effective are recognised in other comprehensive income. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in other comprehensive income are transferred to the income statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are not recognised in other comprehensive income, rather they are recognised immediately in profit or loss.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under IFRS 9, any change in assets or liabilities is recognised immediately in the income statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecasted transaction is ultimately recognised in the income statement.

FINANCIAL RISK MANAGEMENT

The Group's trading, multi-national operations and debt financing expose it to financial risks that include the effects of changes in foreign currency exchange rates, credit risk, liquidity and interest rates.

The Group manages these risks so as to limit any adverse effects on the financial performance of the Group.

(a) Market risk – Foreign exchange

The Group's major foreign exchange exposures are to the Polish Zloty, US Dollar, Canadian Dollar and Singapore Dollar. Group policy in this area is to eliminate foreign currency cash flows between Group companies once the size and timing of transactions can be predicted with sufficient certainty. This has been achieved by hedging Polish Zloty cash outflows 12 months in advance by using forward foreign currency contracts. These have the effect of fixing the sterling amount of Polish Zlotys to be paid in the future. The average remaining life of the forward exchange contracts at 31 December 2023 was 6 months (2022: 6 months).

Given the above policy, the table below approximates the impact on the Group's profit before tax of a 5% exchange rate movement (strengthening of sterling against the specified currency) of the Group's major non sterling trading currencies during the year.

	2023 £000	**2022 £000**
Polish Zloty	**57**	(38)
US Dollar	**66**	56
Canadian Dollar	**71**	(5)
Singapore Dollar	**73**	47
	267	60

In addition, the table below approximates the impact on the profit or loss of translation on the Group's financial assets and liabilities of a 5% exchange rate movement (strengthening of the sterling against the specified currency) of the Group's major non sterling trading currencies.

	2023 £000	2022 £000
Polish Zloty	**18**	14
US Dollar	**(580)**	(841)
Canadian Dollar	**(17)**	(9)
Singapore Dollar	**10**	3
	(569)	(833)

For both of the tables displayed above, a 5% weakening of sterling against the relevant currency, there would be a comparable but opposite impact on the profit.

Management have reviewed the 5% exchange rate movement and considered it is an appropriate value in calculating the impact of foreign exchange exposures.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Local Currency Units, was as follows:

	2023				2022			
	PLN CU '000	**USD CU '000**	**CAD CU '000**	**SGD CU '000**	PLN CU '000	USD CU '000	CAD CU '000	SGD CU '000
Trade receivables	**–**	**5,903**	**–**	**155**	–	6,273	–	178
Trade payables	**(570)**	**–**	**(4)**	**–**	(1,152)	(120)	(2)	–
Foreign currency forwards								
Buy foreign currency (cash flow hedges)	**71,400**	**–**	**–**	**–**	73,100	–	–	–

(b) Market risk – Interest rate

The Group's major interest rate exposures during the year arose from both interest payable on borrowings and interest earned on its cash balances.

In respect of interest payable on borrowings, it is the Group's policy to enter into an interest rate swap so that there is no change in interest payable pursuant to changes in interest rates. The fixed interest rate payable on the Group's credit facility is 2.95% (2022: 2.95%).

The Group's policy on interest earned from its cash balances is to maximise the return (subject to the constraints imposed by the need to limit credit and liquidity risk as detailed below).

Given the above policies the table below approximates the impact on the Group's profit before tax of an increase of 100 basis points in interest rates during the year. This is deemed an appropriate level given the current economic climate.

	2023 £000	2022 £000
Increase in interest receivable on cash balances	**249**	248

For a decrease of 100 basis points in interest rates, there would be a comparable but opposite impact on profit.

(c) Credit risk

The Group's major credit risk exposures arise from its cash and trade receivable balances. The Group's policies in this area are:

- in respect of cash balances to ensure that deposits are always held across at least 2 financial institutions; and
- in respect of trade receivables, the client or prospective client's credit risk is assessed at the commencement of any new project with payment terms agreed which are appropriate. Regular receivable reports are provided to senior management and in addition credit insurance is maintained as appropriate for a number of trade receivable balances.

The table below shows the credit rating and balance of the six major counterparties at the balance sheet date:

Counterparty	Current Rating (Moody's)	31 December 2023 Balance £000	31 December 2022 Balance £000
Bank A	A3	14,811	12,261
Bank B	A3	10,284	7,345
Bank C	Aa3	4,868	6,171
		29,963	25,777
Customer A	A2	1,349	–
Customer B	A1	847	12
Customer C	Baa3	731	10
		2,927	22

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The contract assets relate to unbilled WIP and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The gross trade receivables amount included within the loss allowance calculation has been adjusted for elements which carry no expected credit loss; this being the upfront annual licence fees.

Where the Company holds intercompany loan amounts due from fellow group subsidiaries, IFRS 9 requires the measurement of expected credit losses. These loans were determined to be stage 1 intercompany loans for the purposes of the IFRS 9 impairment model and consequently a twelve month expected credit loss was calculated.

On that basis, the loss allowance for trade receivables and contract assets as at 31 December 2023 for the Group was calculated as follows (2022: £421,000):

Group	Not past due £000	Less than one month overdue £000	One to two months overdue £000	Two to three months overdue £000	More than three months overdue £000	Total £000
Expected loss rate	1%	5%	10%	15%	20%	
Net carrying amount – trade receivables and contract assets	2,225	1,781	727	860	227	**5,820**
Amounts subject to loss allowance	2,225	1,781	727	860	227	**5,820**
Specific loss allowance	–	–	–	–	–	**–**
Loss allowance	22	89	73	129	45	**358**
Total	**22**	**89**	**73**	**129**	**45**	**358**

* Net carrying amount excludes the value of annual software fees.

The loss allowance for the Company was calculated as being £nil (2022: £nil).

Trade receivables are written off where there is no reasonable expectation of recovery.

(d) Liquidity risk

The Group's major liquidity exposures arise from the need to settle its trade, employee and taxation liabilities as they fall due.

Whilst the Group is comfortably able to finance all of these payments out of operating cash flows, policies are in place to further limit exposure to liquidity risk:

- surplus cash is never deposited for maturities of longer than 110 days; and
- uncommitted facilities will be entered into to support any specific expansion opportunities that arise.

Management monitors forecasts of the Group's liquidity reserve on the basis of expected cash flow. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest.

Group	Carrying amount £000	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	After 5 years £000	Total £000
At 31 December 2023						
Borrowings	**8,389**	**1,525**	**7,418**	**–**	**–**	**8,943**
Capital lease obligations	**3,014**	**538**	**799**	**1,198**	**906**	**3,441**
Trade and other payables	**7,684**	**7,684**	**–**	**–**	**–**	**7,684**
	19,087	**9,747**	**8,217**	**1,198**	**906**	**20,068**

	Carrying amount £000	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	After 5 years £000	Total £000
At 31 December 2022						
Borrowings	9,597	1,569	1,525	7,568	–	10,662
Capital lease obligations	3,749	642	914	1,370	1,387	4,313
Trade and other payables	7,212	7,212	–	–	–	7,212
	20,558	9,423	2,439	8,938	1,387	22,187

Company	Carrying amount £000	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Total £000
At 31 December 2023					
Borrowings	**8,389**	**1,525**	**7,418**	**–**	**8,943**
Trade and other payables	**14,882**	**14,882**	**–**	**–**	**14,882**
	23,271	**16,407**	**7,418**	**–**	**23,825**

	Carrying amount £000	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Total £000
At 31 December 2022					
Borrowings	9,597	1,569	1,525	7,568	10,662
Trade and other payables	14,982	14,982	–	–	14,982
	24,579	16,551	1,525	7,568	25,644

Notes to the Consolidated Financial Statements

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into the relevant maturity groups based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2023			
Forward foreign exchange contracts			
– cash flow hedges			
Outflow	**(13,624)**	**–**	**–**
Inflow	**14,246**	**–**	**–**
Interest rate swap			
– cash flow hedges			
Outflow	**(275)**	**(230)**	**–**
Inflow	**586**	**489**	**–**
	933	**259**	**–**

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2022			
Forward foreign exchange contracts			
– cash flow hedges			
Outflow	(13,045)	–	–
Inflow	13,716	–	–
Interest rate swap			
– cash flow hedges			
Outflow	(319)	(655)	–
Inflow	467	960	–
	819	305	–

Fair value estimation

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings (including capitalised lease obligations), however, due to their short term nature and ability to be liquidated at short notice their carrying value approximates their fair value.

Financial instruments measured at fair value

The fair value hierarchy of the financial instruments measures at fair value is provided below.

	Level 2	
	2023 £'000	**2022 £'000**
Financial Assets		
Derivative financial assets (designated hedge instruments)	**1,141**	1,339
	1,141	1,339

The derivative financial assets and liabilities have been valued using the market approach, using actual market transactions for similar assets and liabilities, which are considered to be Level 2 inputs. There were no changes to the valuation techniques used in the year. There were no transfers between levels during the year.

Capital risk management

The Group's capital is considered by the Board to be the equity of the Company's shareholders and includes the Group's tangible and intangible fixed assets and cash and debt balances. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Aptitude Software Group plc manage the capital structure based on the economic conditions and the risk characteristics of the Group. The Board reviews the capital structure regularly. No changes were made to our objectives and processes during 2023.

Our general funding policy is to raise long term debt when required to meet the anticipated requirements of the Group. Details of the Group's existing loan facility is provided in note 19 to the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting judgments

(a) Recognition of revenue

The policy for the recognition of software licences, maintenance and subscription fees is detailed on pages 86 to 89.

Assessment of performance obligations

For Annual Licence Fees, the Group determines for each contract whether ongoing contractual software maintenance and subscription fees represent a performance obligation that is distinct from the licence. For all existing contracts, it is determined that the ongoing contractual obligations form part of a combined performance obligation with the software licence. This is through the customer simultaneously receiving the benefit of accessing and utilising the software from inception of the contract across the period due to the need for the software to adapt over time to the changing needs and complexities of the regulatory environment.

For product specific consultancy, the Group also concludes for each contract as to whether this represents a separate, distinct performance obligation from the licence. For all existing contracts, the services being provided met the criteria of being a separate, distinct performance obligation on the basis that contractually the customer could choose to purchase the services elsewhere without significantly affecting the promises included in the licence and maintenance agreement.

How the combined performance obligation should be recognised

Once the Group concludes on the revenue recognition profile, the business determines on a contract by contract basis the period over which the revenues are recognised. This period is defined as the optimisation period and represents the duration of time assessed by management during which the most significant optimisation and functional enhancements of the software is undertaken. Where the optimisation period for a client is assessed by management as being greater than the initial term of the contract, the revenues recognised across the minimum term are equal to the total value of the contract.

Revenue recognition constraint

During the period from the Group initially licencing its software to the product being deployed into a live client environment, an ongoing assessment is performed by management on a contract by contract basis to determine if sufficient challenges exist that would cast doubt over future economic benefits being realised by the business. Where such challenges exist, the revenue recognised across the period is constrained to the value of any amount invoiced and paid prior to the end of the reporting date, with this being assessed as the consideration during the period up to deployment. Once the software is deployed, the amount of revenue recognised is adjusted so that it is proportional to the Group's development effort to date against the total expected development hours to be incurred across the contract period.

Product specific consultancy deferral

For any implementation service contract where the client is contracting on a time and materials basis, an assessment is made by management at the year-end of the expected amount of any additional consultancy effort to be provided to satisfy certain contractual obligations without incremental charge. Where such effort is anticipated, an accompanying deferral is calculated based on the value of this time if charged to the client and is recognised through the deferral of revenues.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The judgement is in relation to the allocation to a single CGU. The Group has determined that it has only one cash generating unit at the year end, this being the Aptitude business.

This determination was made with reference to the following principal factors:

- Information provided to management and the Board utilised to assess the performance of the business and make decisions is done on a consolidated Group basis;
- Key management personnel are compensated based on the performance of the business as a whole;
- Operating and capital budgets are only approved or modified by management based on financial information for the business as a whole;
- Clients are serviced across the Group's global offices meaning each regions cash inflows and assets are not independent from other regions; and
- Clients often purchase one or more of the Group's highly complementary and integrated products as part of an all-in price removing any possibility to accurately determine the recoverable amount on each. Consequently, the products' cash inflows and assets are not independent from other products.

(c) Impairment of other intangibles

The Group also assesses annually any indicators that other intangible assets might be impaired. The impairment tests are based on value-in-use calculations on a similar basis to that used in the impairment of Goodwill calculation and is therefore subject to the same estimates by management.

Impairments recognised during the year are performed against the carrying value of other intangible assets. The impairment is recognised in the income statement in the period which it is deemed to arise.

(d) Impairment of investments

The Group has also carried out an impairment review on the value of investments held in the Company. Where the investment is held in a company which has an ongoing trade, the value is derived by a value in use calculation of the cash generating units. This is done on a similar basis to that used in the impairment of goodwill calculation as detailed above and is therefore subject to the same estimates by management. Where the investment is held in a company which is no longer trading, the value is derived from the carrying value of the net assets on the balance sheet of that entity.

(e) Development costs

The Group invests on a continual basis in the development of new and enhanced features in the product suite. There is a continual process of enhancements to and expansion of the overall product suite with judgement required in assessing whether the development costs meet the criteria for capitalisation. These judgements have been applied consistently year to year. In making this judgement, the Group evaluates, amongst other factors, whether there are future economic benefits beyond the current period, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, the likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to measure reliably the expenditure attributable to the project.

Judgement is therefore required in determining the practice for capitalising development costs. The accounting policy for research and product development is detailed on page 90 and in the current year there are no development expenses that have been capitalised (2022: £nil). The total product management, research and development expenditure in the period is £17.8 million (2022: £17.0 million).

Given the challenges surrounding the complexity of underlying software development issues and the competitive nature of the markets in which we operate, technical feasibility and future probability of development has only been satisfied once the product is deployed into a live client environment. Accordingly, these development costs have not been capitalised.

Costs which are incurred after the general release of internally generated software, or costs which are incurred in order to enhance existing products by way of minor or major upgrades, or other changes in software functionality, do not satisfy the criteria in order to capitalise. Such expenditure is therefore recognised as an expense in the period in which it is incurred and included within research and development expense in the income statement.

(f) Contingent liabilities

The Group reviews any potential claims, if applicable, to assess if there are any possible obligations, as it has yet to be confirmed whether the entity has a present obligation, or any present obligations of which it is either not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made. Where any of these conditions are met, a contingent liability is disclosed (see Note 32).

(g) Taxation

Deferred tax assets and liabilities require management judgement in determining the amount to be recognised.

In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

(h) Impairment of receivables

The Group assesses the recoverability of receivables and measures expected credit losses as at the balance sheet date. Where the Group assess an expected credit loss, an allowance is made to the receivable and recognised in the income statement (see Note 16).

Accounting estimates

(a) Recognition of revenue

Method of recognising revenue

Where the software licence and maintenance fees meet the criteria of a combined performance obligation, the Group determines for each contract the most appropriate method of recognising revenue in line with development activity related to the relevant product. Measurement of the development activity is completed by way of the input method, with management providing an initial estimate of the overall expected development hours to be incurred across the period. This estimate is then reviewed against actual hours incurred at the end of each reporting period.

The estimation of the development activity, principally the number of hours anticipated to be incurred, impacts all customer contracts and therefore as at 31 December 2023, the deferred income balance of £31.5 million (2022: £29.6 million) and accrued income balance £0.4 million (2022: £1.1 million) have been calculated pursuant to estimates. Sensitivity analysis was performed with management considering the impact of a 5% proportional movement in the estimated development effort and determined that in all cases, with all other variables being held constant, the impact on the assets and liabilities presented across both periods was not material.

Product specific consultancy deferral

As outlined with the accounting judgments applied to the recognition of revenue, management make a deferral of revenue at the year-end of the expected amount of any additional consultancy effort to be provided to satisfy certain contractual obligations without incremental charge. Where such effort is anticipated, management estimate the amount required along with the accompanying value of this time if charged to the client. The estimate for 2023 is £1,023,000 (2022: £662,000). Sensitivity analysis was performed with management considering the impact of a 5% proportional movement in the estimated consultancy effort and determined that in all cases the impact on the assets and liabilities presented across both periods was not material.

(b) Taxation

Income tax

The actual tax the Group pays on its profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, judgements and estimates are used in determining the liability for the tax to be paid on past profits which are then recognised in the financial statements. The Group believes the estimates, assumptions and judgements are reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements and may result in the recognition of an additional tax expense or tax credit in the income statement.

USA sales and use tax

The Group continues to review its liability to tax its supplies in a number of states following changes in the interpretation and application of sales tax regulations in the USA. Whilst for the majority of states this review has been concluded, the Group still considers that there is risk, that some elements of its supplies in a few remaining states would have been subject to sales tax in previous periods. Consequently, the Group holds a provision totalling £0.7 million (2022: £0.3 million) at the year-end equating to the potential historic sales tax liability the business is exposed to as a result of the risk of non-recoverability from its clients who will bear these costs going forwards. The value of this provision has been determined based on management's estimate of which supplies it believes are captured by the regulation, which clients we have a risk of non-recoverability from and over what historic period this provision should be held against.

Sensitivity analysis was performed with management considering the impact of a reasonable proportional movement in the estimates applied and determined that in all cases the impact on the assets and liabilities presented across both periods was not material.

(c) Impairment of goodwill

The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The discount rate applied in the value in use calculation approximates to the Group's Weighted Average Cost of Capital.

The Group annually reviews the goodwill valuation based on various scenarios and each of these scenarios have different growth rate assumptions. The growth rate assumptions are in relation to periods covered by Board approved plans. Details of these scenarios, growth rate assumptions and sensitivities are provided in note 10.

Impairment reviews during the year are performed against the carrying value of goodwill. The impairment is recognised in the income statements in the period which it is deemed to arise.

1. Segmental Information

Business segments

The Board has determined the operating segments based on the reports it receives from management to make strategic decisions.

The reports from management consist of one segment, the Aptitude business. Therefore, the only business segment for both periods was Aptitude and therefore no segmental analysis is provided for this or the corresponding period.

The principal activity of the Group throughout 2022 and 2023 was the provision of business-critical software and services.

(a) Geographical segments

The Group has two geographical segments for reporting purposes, the United Kingdom and the Rest of the World.

The following table provides an analysis of the Group's sales by origin and by destination along with the profit before tax.

	Sales revenue by origin		**Sales revenue by destination**		**Profit before income tax**	
	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000	**Year ended 31 Dec 2023 £000**	Year ended 31 Dec 2022 £000	**Year ended 31 Dec 2023 £000**	Year ended 31 Dec 2022 £000
United Kingdom	**41,087**	39,329	**11,747**	15,809	**3,518**	76
Rest of World	**33,598**	35,065	**62,938**	58,585	**1,522**	3,129
	74,685	74,394	**74,685**	74,394	**5,040**	3,205

The following is an analysis of the carrying amount of non-current assets (excluding deferred and income tax assets), and additions to property, plant and equipment (excluding right-of-use asset additions resulting from property lease agreements) and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of non-current assets		**Capital expenditure**	
	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000	**Year ended 31 Dec 2023 £000**	Year ended 31 Dec 2022 £000
United Kingdom	**54,525**	57,414	**65**	349
Rest of World	**14,720**	16,122	**536**	482
	69,245	73,536	**601**	831

The Company's business is to invest in its subsidiaries and, therefore, it operates in a single segment.

Notes to the Consolidated Financial Statements

2. Revenue from contracts with customers

(a) Analysis of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services in the following major product lines and geographical regions:

Continuing operations

	Recurring revenue			**Non-recurring revenue**			
Year ended 31 Dec 23	**United Kingdom £000**	**Rest of World £000**	**Total £000**	**United Kingdom £000**	**Rest of World £000**	**Total £000**	**Total £000**
Revenue from external customers	**9,537**	**43,833**	**53,370**	**2,210**	**19,105**	**21,315**	**74,685**

	Recurring revenue			Non-recurring revenue			
Year ended 31 Dec 22	United Kingdom £000	Rest of World £000	Total £000	United Kingdom £000	Rest of World £000	Total £000	Total £000
Revenue from external customers	11,393	39,141	50,534	4,416	19,444	23,860	74,394

All of the revenue displayed in the above table is recognised over time in line with the Group's accounting policy detailed on pages 99 to 101 and has been generated from contracts with customers.

For recurring revenue, the Group typically receives payment for its licence and maintenance fees annually in advance of the performance obligations being satisfied. Non-recurring revenue is paid as and when either the services have been provided or, in the case of fixed price projects in line with the payment schedule.

During both periods presented the Group had no customers whose revenue represented an amount equal to or exceeding 10% of total revenue.

(b) Assets and liabilities related to contracts with customers

The Group has recognised assets and liabilities relating to contracts with customers. These amounts are classified as accrued and deferred income respectively for the purposes of this report and are displayed within notes 16 and 20.

(i) Significant movements in accrued and deferred income

Accrued income has decreased against the prior year to £396,000 at 31 December 2023 (31 December 2022: £1,114,000) due to timing differences on when the software or service was provided against when it has been invoiced to the customer.

Deferred income has increased in the year to £31.5 million (31 December 2022: £29.6 million). The movement is due to the growth in recurring revenues during the year which has caused an uplift in the value of Annual License and subscription fee invoices issued during 2023 in excess of that recognised. Further, a small number of material invoices for new business contracts signed in the final weeks of 2022 were not issued until 2023.

(ii) Revenue recognised in relation to deferred income

The following table shows how much of the revenue recognised in the current reporting period relates to the release of the carried-forward deferred income balance on 31 December of the previous period:

	Group Year ended 31 Dec 2023 £000	Group Year ended 31 Dec 2022 £000
Revenue recognised that was included in the deferred income balance at 31 December of the previous period	**26,913**	29,025

2. Revenue from contracts with customers (continued)

(iii) Revenue yet to be recognised on long-term contracts

The following table details the value of future contracted revenue resulting from the Group's fixed price long term software and services contracts which is yet to be recognised in the income statement due to the relevant contractual performance obligations not being satisfied before the year end. These amounts are set to be recognised in the Group's income statement across the period 1 January 2024 to 31 December 2029 on a contract by contract basis as and when the performance obligations are met:

	Group As at 31 Dec 2023 £000	Group As at 31 Dec 2022 £000
Aggregate amount of future contracted revenue in relation to long-term software and service contracts that is not recognised in the income statement as at 31 December	**80,956**	87,097

	Group As at 31 Dec 2023 £000	Group As at 31 Dec 2022 £000
Revenue to be recognised in the Group's income statement:		
Within one year	**40,716**	36,019
Within two to five years	**39,890**	50,934
After five years	**350**	144
	80,956	87,097

All other software and service contracts are billed based on time incurred. As permitted under IFRS 15, these amounts have been excluded for the purposes of the above calculation given the variable nature.

(iv) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to the commission costs of obtaining a contract. This is amortised on a straight-line basis over the optimisation period assessed by management and presented within other long-term assets in the balance sheet. See further details on the optimisation period within the revenue recognition policy.

	Group As at 31 Dec 2023 £000	Group As at 31 Dec 2022 £000
Asset recognised from costs incurred to fulfil a contract at 31 December	**1,016**	1,307
Amortisation recognised as cost of providing services during the year from continuing operations	**653**	572

Notes to the Consolidated Financial Statements

3 Operating profit

The following items are included in operating costs:

	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000
Employee benefit expense (note 4)	**44,592**	45,622
Depreciation	**1,049**	1,132
Other operating costs	**19,318**	20,133
	64,959	66,887
Non-underlying operating costs:		
Amortisation of intangibles	**3,381**	3,382
Acquisition and associated reorganisation costs	**1,060**	440
	4,441	3,822
	69,400	70,709

The acquisition and associated reorganisation costs are in relation to the continued integration of MPP Global into the Group, which was completed in the year.

Profit from continuing operations has been arrived at after charging:

	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000
Net foreign exchange (losses)/gains	**(535)**	64
Research and development costs	**17,843**	17,031
Depreciation of property, plant and equipment	**1,049**	1,137
Repairs and maintenance expenditure on property, plant and equipment	**248**	240
Low value or short term rental expense	**550**	218
Gain on disposal of right-of-use asset	**51**	–

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000
Fees payable to Company's auditors for the audit of the Parent Company and consolidated financial statements	**140**	130
Fees payable to the Company's auditors and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	**115**	101
	255	231

A description of the work of the Audit Committee is included in the corporate governance statement on pages 35 to 38 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors. No non-audit services were provided in the current or prior year.

4 Employees and directors

	Group Year ended 31 Dec 2023 £000	Group Year ended 31 Dec 2022 £000	Company Year ended 31 Dec 2023 £000	Company Year ended 31 Dec 2022 £000
Employee benefit expense during the year				
Wages and salaries	**40,574**	40,440	**420**	752
Social security costs	**2,622**	3,229	**66**	134
Other pension costs	**1,271**	1,258	**5**	25
Share based payment costs on share options	**125**	695	**(173)**	37
	44,592	45,622	**318**	948

Average monthly number of employees (including directors) for the Group and Company:

	Group Year ended 31 Dec 2023 Number	Group Year ended 31 Dec 2022 Number	Company Year ended 31 Dec 2023 Number	Company Year ended 31 Dec 2022 Number
By location:				
United Kingdom	**154**	182	**5**	7
Rest of World	**346**	316	**–**	–
	500	498	**5**	7

Group headcount at 31 December 2023 was 472 (2022: 527).

	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000
Key management compensation:		
Short-term employee benefits	**2,204**	2,473
Social security costs	**220**	316
Post employment benefits	**87**	85
Share based payment costs on share options	**218**	429
	2,729	3,303

Key management compensation for the Group includes the Board of the Company and senior executives within the Group. All bonuses are accrued for at year end and remain unpaid at the date of the accounts. Details can be found in the Directors' Remuneration Statement on pages 40 to 44. Share based payment costs for key management personnel relate to the number of options held at year end.

	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000
Directors		
Short-term employee benefits	**928**	1,129
Social security costs	**112**	160
Post employment benefits	**31**	32
Share based payment costs on share options	**66**	213
	1,137	1,534

Average monthly number of Directors and senior executives in respect of continuing operations were 11 (2022: 10). The key management figures given above include the Directors of Aptitude Software Group plc.

The information on Directors' remuneration required by the Companies Act and the Listing Rules of the Financial Conduct Authority is contained in the Directors' Remuneration Report on pages 45 to 60. Amounts displayed throughout the tables above exclude the impact of long term incentive awards and Deferred Bonus Plan awards which have either been exercised in the year or have vested but are yet to be exercised.

Notes to the Consolidated Financial Statements

5 Net finance cost

	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000
Finance income		
Interest on bank deposits	**282**	18
	282	18
Finance cost		
Interest payable on bank borrowings	**(316)**	(350)
Interest payable on capital lease obligations	**(129)**	(124)
Amortisation of loan arrangement fee	**(82)**	(24)
	(527)	(498)
Net finance cost	**(245)**	(480)

6 Income tax expense

Analysis of charge in the year	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000
Current tax:		
– tax charge on underlying items	**(2,463)**	(1,051)
– adjustment to tax in respect of prior periods on underlying items	**(241)**	(344)
Total current tax	**(2,704)**	(1,395)
Deferred tax (note 15):		
– tax credit/(charge) on underlying items	**951**	(111)
– tax credit on non-underlying items	**871**	871
– adjustment to tax in respect of prior periods on underlying items	**(33)**	25
Total deferred tax	**1,789**	785
Income tax expense	**(915)**	(610)

The net adjustment to tax in respect of prior periods on underlying items totalling £274,000 (2022: £319,000) relates to the reduction in the assumed benefit from research and development relief in the UK.

UK corporation tax is calculated at 23.5% (2022: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

UK corporation tax rates substantively enacted as part of the March 2021 Bill included an increase of the rate to 25% from 1 April 2023.

6 Income tax expense (continued)

The tax for the year is lower than (2022: lower than) the standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are explained below:

	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000
Profit before tax	**5,040**	3,205
Tax at the UK corporation tax rate of 23.5% (2022: 19%)	**(1,185)**	(610)
Effects of:		
Adjustment to tax in respect of prior periods	**(274)**	(319)
Adjustment in respect of foreign tax rates	**62**	(138)
Non-underlying expenses not deductible for tax purposes	**(138)**	(45)
Other	**166**	(303)
Research and development tax relief	**226**	561
Recognition of tax losses not recognised as a deferred tax asset	**190**	214
Change in future tax rates	**38**	30
Total taxation	**(915)**	(610)

The total tax charge of £915,000 (2022: £610,000) represents 18.2% (2022: 19.0%) of the Group profit before tax of £5,040,000 (2022: £3,205,000).

After adjusting for the impact of non-underlying items, change in tax rates, share based payment charge and prior year tax charge, the tax charge for the year of £1,702,000 (2022: £1,375,000) represents 17.95% (2022: 19.57%), which is the tax rate used for calculating the adjusted earnings per share.

Tax losses are not recognised as a deferred tax asset when there is no available evidence that future taxable profits will be generated for which the deferred tax asset can be utilised against.

Notes to the Consolidated Financial Statements

7 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

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

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 Dec 2023			Year ended 31 Dec 2022		
	Earnings £000	**Weighted average number of shares (in thousands)**	**Per-share amount pence**	Earnings £000	Weighted average number of shares (in thousands)	Per-share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	**4,125**	**57,338**	**7.2**	2,595	57,288	4.5
Effect of dilutive securities:						
– share options	**–**	**670**	**(0.1)**	–	819	(0.0)
Diluted EPS	**4,125**	**58,008**	**7.1**	2,595	58,107	4.5

To provide an indication of the underlying operating performance per share the adjusted profit after tax figure shown below excludes non-underlying and other items and has a tax charge using the effective rate of 17.95% (2022: 19.57%).

	Year ended 31 Dec 2023		Year ended 31 Dec 2022	
	Basic EPS pence	**Diluted EPS pence**	Basic EPS pence	Diluted EPS pence
Earnings per share	**7.2**	**7.1**	4.5	4.5
Non-underlying items net of tax	**6.2**	**6.2**	5.2	5.1
Prior years' tax charge	**0.5**	**0.5**	0.6	0.6
Recognition of tax losses	**(0.3)**	**(0.3)**	(0.4)	(0.4)
Adjusted earnings per share	**13.6**	**13.5**	9.9	9.8

	Year ended 31 Dec 2023 £000	Year ended 31 Dec 2022 £000
Profit before tax and non-underlying items	**9,481**	7,027
Tax charge at a rate of 17.95% (2022: 19.57%)	**(1,702)**	(1,375)
	7,779	5,652
Prior years' tax charge	**(274)**	(320)
Non-underlying items net of tax	**(3,570)**	(2,951)
Recognition of tax losses	**190**	214
Profit on ordinary activities after tax	**4,125**	2,595

8 Dividends

	2023 pence per share	2022 pence per share	2023 £000	2022 £000
Dividends paid:				
Interim dividend	**1.80**	1.80	**1,032**	1,032
Final dividend (prior year)	**3.60**	3.60	**2,064**	2,061
	5.40	5.40	**3,096**	3,093
Proposed but not recognised as a liability:				
Final dividend (current year)	**3.60**	3.60	**2,064**	2,064

The proposed final dividend was approved by the Board on 20 March 2024 but was not included as a liability as at 31 December 2023, in accordance with IAS 10 'Events after the Balance Sheet date'. If approved by the shareholders at the Annual General Meeting this final dividend will be payable on 14 June 2024 to shareholders on the register at the close of business on 24 May 2024.

9 Property, plant and equipment including right-of-use assets

	Right-of-use assets £000	Leasehold improvements £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Group					
Cost					
At 1 January 2023	4,614	621	5,383	494	**11,112**
Additions	–	–	601	–	**601**
Transfers	(489)	(214)	214	489	**–**
Disposals	(616)	–	(729)	–	**(1,345)**
Exchange movements	(106)	6	117	2	**19**
At 31 December 2023	**3,403**	**413**	**5,586**	**985**	**10,387**
Accumulated depreciation					
At 1 January 2023	1,504	168	3,917	420	**6,009**
Charge for the year (note 3)	435	5	522	87	**1,049**
Transfers	(694)	220	624	(150)	**–**
Disposals	(499)	–	(729)	–	**(1,228)**
Exchange movements	(4)	4	73	–	**73**
At 31 December 2023	**742**	**397**	**4,407**	**357**	**5,903**
Net book amount					
At 31 December 2023	**2,661**	**16**	**1,179**	**628**	**4,484**

9 Property, plant and equipment including right-of-use assets (continued)

	Right-of-use assets £000	Leasehold improvements £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Group					
Cost					
At 1 January 2022	6,334	621	4,539	440	**11,934**
Additions	829	–	766	65	**1,660**
Disposals	(2,549)	–	(75)	(11)	**(2,635)**
Exchange movements	–	–	153	–	**153**
At 31 December 2022	**4,614**	**621**	**5,383**	**494**	**11,112**
Accumulated depreciation					
At 1 January 2022	3,555	77	3,718	323	**7,673**
Charge for the year (note 3)	498	91	443	100	**1,132**
Disposals	(2,549)	–	(75)	(3)	**(2,627)**
Exchange movements	–	–	(169)	–	**(169)**
At 31 December 2022	**1,504**	**168**	**3,917**	**420**	**6,009**
Net book amount					
At 31 December 2022	**3,110**	**453**	**1,466**	**74**	**5,103**

All the Group's right-of-use assets relate to the capital lease agreements for various office spaces.

	Plant & machinery £000	Total £000
Company		
Cost		
At 1 January 2023	452	**452**
Additions	19	**19**
At 31 December 2023	**471**	**471**
Accumulated depreciation		
At 1 January 2023	437	**437**
Charge for the year	10	**10**
At 31 December 2023	**447**	**447**
Net book amount		
At 31 December 2023	**24**	**24**

	Plant & machinery £000	Total £000
Company		
Cost		
At 1 January 2022	441	**441**
Additions	11	**11**
At 31 December 2022	**452**	**452**
Accumulated depreciation		
At 1 January 2022	428	**428**
Charge for the year	9	**9**
At 31 December 2022	**437**	**437**
Net book amount		
At 31 December 2022	**15**	**15**

10 Goodwill

	31 Dec 2023 £000	31 Dec 2022 £000
Cost		
At 1 January	**46,006**	46,006
At 31 December	**46,006**	46,006
Net book amount	**46,006**	46,006

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Aptitude £000	Total £000
At 1 January and 31 December 2023	**46,006**	**46,006**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The group is a single CGU and determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which all goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

For the purposes of performing the goodwill impairment review, the Group have utilised the Board approved plans for the three-year period to 31st December 2026 followed by anticipated growth in operating profit of 10% per annum for the period 2027-2028. The growth rates and assumptions applied were based on the Group's assessment of the future opportunities within the market, with no change in working capital assumptions and the existing loan to be repaid in full on termination date.

In determining the values, management have utilised Board approved plans and market consensus data.

The terminal growth rates for the period after 2028 are no greater than 2.25% (2022: 2.25%) per annum. The utilisation of deferred tax losses to offset the tax payable has not been considered. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate applied to the CGU was 13.9% (2022: 13.5%).

Sensitivity analysis was performed on the business with a 10% proportional movement in any combination of the assumptions not resulting in an impairment.

Notes to the Consolidated Financial Statements

11 Intangible assets

	Software IPR £000	Customer relationships £000	Total £000
Group			
Cost			
At 1 January 2023	17,872	10,869	28,741
At 31 December 2023	**17,872**	**10,869**	**28,741**
Accumulated amortisation and impairment			
At 1 January 2023	4,644	2,977	7,621
Amortisation	2,109	1,272	3,381
At 31 December 2023	**6,753**	**4,249**	**11,002**
Net book amount			
At 31 December 2023	**11,119**	**6,620**	**17,739**

	Software IPR £000	Customer relationships £000	Total £000
Group			
Cost			
At 1 January 2022	17,872	10,869	28,741
At 31 December 2022	**17,872**	**10,869**	**28,741**
Accumulated amortisation and impairment			
At 1 January 2022	2,535	1,704	4,239
Amortisation	2,109	1,273	3,382
At 31 December 2022	**4,644**	**2,977**	**7,621**
Net book amount			
At 31 December 2022	**13,228**	**7,892**	**21,120**

The Company held no intangible assets during the year (2022: £nil).

The externally acquired software intellectual property rights (IPR) relates to expected future benefits of software and development projects in progress at the date of acquisition of the Group's subsidiaries. As at 31 December 2023 no internal research and development costs have been capitalised. The client relationships relate to expected benefits to be obtained from recurring levels of business from clients obtained as a result of acquisitions. The useful lives of the intangible assets acquired as part of the acquisition of Revstream in 2017 have been determined as 10 years in respect of both software IPR and customer relationships (2022: 10 years). The useful lives of the intangible assets acquired as part of the acquisition of MPP Global in 2021 have been determined as 8 years in respect of both software IPR and customer relationships (2022: 8 years). At 31 December 2023, the carrying value of the intangible assets in relation to Revstream is £3,102,000. The carrying value of the intangible assets in relation to MPP Global is £14,637,000.

The amortisation charge in the year is shown in non-underlying costs.

12 Investments in subsidiaries

The Group did not hold any investments in 2023 (2022: nil).

	2023 £000	2022 £000
Company		
Cost		
At 1 January	**97,460**	96,788
Share based payments – share options granted to employees of subsidiaries	**298**	672
At 31 December	**97,758**	97,460
Impairment		
At 1 January and 31 December	**28,950**	28,950
Net book amount		
At 31 December	**68,808**	68,510

Investments are held at cost less provisions for impairment. If there is an impairment trigger then the recoverable amounts of the investments are determined by calculating a value in use for the appropriate subsidiary investment. Management estimates discount rates using pre–tax rates that reflect current market assessments of the time value of money and the risks specific to the subsidiary investments.

Where the investment is held in a company which is no longer trading, the value is derived from the carrying value of the net assets on the balance sheet of that entity.

The Directors consider the value of the investments to be supported by their underlying assets and consider there to be no indicators of impairment.

Subsidiaries	Country	Activity
Aptitude Software (Canada) Limited *	Canada	Employment and Group Services
Aptitude Software Inc.*	USA	Software and Services
Aptitude Software Limited	England & Wales	Software and Services
Aptitude Software (Poland) sp. z o.o.*	Poland	Development
Aptitude Software (Singapore) pte. Limited	Singapore	Software and Services
Aptitude Revstream Inc.*	USA	Software and Services
MPP Global Solutions Limited	England & Wales	Software and Services
MPP Global Solutions Inc*	USA	Software and Services
MPP Global Solutions kk*	Japan	Software and Services

* Indirectly held by Aptitude Software Group plc

As at 31 December 2023, the Company owns 100% of the ordinary share capital in the above subsidiaries.

The registered office of the group's principal subsidiaries which is not that of the Company are detailed below:

Subsidiary	Registered office
Aptitude Software (Canada) Limited	1055 West Georgia Street, Suite 1500 Royal Centre, PO Box 11117, Vancouver, British Columbia, V6E 4N7, Canada
Aptitude Software Inc	CT Corporation System, 111 8th Avenue, New York, 10011
Aptitude Software (Poland) sp. z o.o.	ul. Muchoborska 6, 54-424 Wroclaw, Poland
Aptitude Software (Singapore) pte. Limited	600 North Bridge Road, 23-01 Parkway Square, Singapore (188778)
Aptitude RevStream Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle Delaware, 19801
MPP Global Solutions Inc	CT Corporation System, 111 8th Avenue, New York, 10011
MPP Global Solutions kk	Tobu Bidg 6F, 6 Chrome-28-9 Jingumae, Shibuya, Tokyo 150-0001

Notes to the Consolidated Financial Statements

13 Other long-term assets

	Group 2023 £000	Group 2022 £000
Prepaid commission costs	**1,016**	1,307

Per IFRS 15, the Group's assessment is that commission incurred on software licence sales meets the definition of incremental costs of obtaining a contract. An asset is therefore recognised at inception of the contract for the total value of commissions payable which is then amortised across the optimisation period assessed for each customer. Further detail on the optimisation period can be found in the Group's revenue recognition policy detailed on pages 86 to 89.

The Company held no other long term assets during the year (2022: £nil).

14 Income tax assets

As at 31 December 2023, the Group has income tax assets totalling £1,037,000 (2022: £1,352,000), all of which is expected to be recovered within 12 months. These amounts are in relation to recoverable corporation tax from the relevant tax authorities for offset against future tax instalments.

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022: 25% for all balances unless recoverable before 1 April 2023). USA deferred tax is calculated using an effective rate of 27% being made up of 21% federal and 6% state tax (2022: 27% made up of 21% federal and 6% state tax).

Deferred tax	**Group 2023 £'000**	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Deferred tax				
– Deferred tax assets	**1,379**	423	**–**	–
– Deferred tax liabilities	**(4,967)**	(5,724)	**(84)**	(116)
Deferred tax (liability)	**(3,588)**	(5,301)	**(84)**	(116)

Net deferred tax (liability)/asset	**Group 2023 £'000**	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
At 1 January	**(5,301)**	(5,696)	**(116)**	147
Underlying items credit/(charge) to income statement for the year	**913**	(116)	**(57)**	(28)
Non-underlying deferred tax credit to the income statement for the year	**871**	871	**–**	–
(Charge)/credit to equity (note 26)	**(66)**	(137)	**17**	(55)
Charge to other comprehensive income (note 25)	**50**	(335)	**–**	(203)
Exchange differences	**(93)**	82	**–**	–
Changes in tax rate	**38**	30	**2**	23
At 31 December	**(3,588)**	(5,301)	**(154)**	(116)

15 Deferred tax (continued)

Deferred tax assets have been recognised in respect of taxable losses and other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered. The exception related to temporary differences in relation to investments in subsidiaries of £23.3m has been applied. At 31 December 2023, the Group had unused tax losses totalling £1,029,000 available for offset against future profits. No deferred tax asset has been recognised in respect of the losses due to the unpredictability of future profit streams.

Deferred tax asset	Short term timing differences £000	Share-based payments £000	Total £000
Group			
At 1 January 2022	527	317	844
Underlying items credit/(charge) to income statement for the year	(176)	8	(168)
Charge to equity (note 26)	–	(137)	(137)
Changes in tax rate	72	11	83
At 31 December 2022	**423**	**199**	**622**
Underlying items credit to income statement for the year	781	3	784
Charge to equity (note 26)	–	(66)	(66)
Changes in tax rate	39	–	39
At 31 December 2023	**1,243**	**136**	**1,379**

Deferred tax liability arising on cash flow hedges, acquisitions of intangible fixed assets and accelerated depreciation:

Deferred tax liability	Accelerated depreciation £000	Intangible fixed assets £000	Cash flow hedges £000	Total £000
Group				
At 1 January 2022	(180)	(6,360)	–	(6,540)
Non-underlying deferred tax credit to the income statement for the year	–	871	–	871
Underlying items credit to income statement for the year	79	–	–	79
Charge to other comprehensive income (note 25)	–	–	(335)	(335)
Change in tax rate	2	–	–	2
At 31 December 2022	**(99)**	**(5,489)**	**(335)**	**(5,923)**
Non-underlying deferred tax credit to the income statement for the year	–	871	–	871
Underlying items credit to income statement for the year	36	–	–	36
Credit to other comprehensive income (note 25)	–	–	50	50
Change in tax rate	(1)	–	–	(1)
At 31 December 2023	**(64)**	**(4,618)**	**(285)**	**(4,967)**

15 Deferred tax (continued)

	Accelerated capital allowances £000	Short term timing differences £000	Share-based payments £000	Cash flow hedge	Total £000
Company					
At 1 January 2022	41	4	102	–	147
Total (charge) to income statement for the year	(7)	–	(21)	–	(28)
Change in tax rate	23	–	–	–	23
(Charge) to equity (note 26)	–	–	(55)	–	(55)
Charge to other comprehensive income (note 25)	–	–	–	(203)	(203)
At 31 December 2022	**57**	**4**	**26**	**(203)**	**(116)**
Total (charge) to income statement for the year	(9)	(4)	(44)	–	(57)
Change in tax rate	2	–	–	–	2
Credit to equity (note 26)	–	–	17	–	17
Credit to other comprehensive income (note 25)	–	–	–	70	70
At 31 December 2023	**50**	**–**	**(1)**	**(133)**	**(84)**

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Explanation of the movements in the year is provided on page 117.

16 Trade and other receivables

	Group 31 Dec 2023 £000	Group 31 Dec 2022 £000	**Company 31 Dec 2023 £000**	Company 31 Dec 2022 £000
Trade receivables	**10,678**	10,091	–	–
Less: provision for impairment of receivables	**(358)**	(421)	–	–
Trade receivables – net	**10,320**	9,670	**–**	–
Other receivables	**14**	–	**45**	–
Prepayments	**1,796**	1,513	**503**	452
Accrued income	**396**	1,114	**–**	–
	12,526	12,297	**548**	452

Within the trade receivables balance of £10,678,000 (2022: £10,091,000) there are balances totalling £5,036,000 (2022: £4,057,000) which, at 31 December 2023, were overdue for payment. Of this balance £3,612,000 (2022: £2,841,000) has been collected at 18 March 2024 (2022: 17 March 2023). The ageing of the trade receivables is as follows:

The ageing of the trade receivables is as follows:

	Trade receivables	
	31 Dec 2023 £000	31 Dec 2022 £000
Not past due	**5,642**	6,034
Past due		
Less than one month overdue	**1,620**	1,484
One to two months overdue	**1,099**	1,479
Two to three months overdue	**1,217**	352
More than three months overdue	**1,100**	742
At 31 December	**10,678**	10,091

The Company had no trade receivables in either year.

16 Trade and other receivables (continued)

Trade and other receivables are denominated in the following currencies:

	Group 31 Dec 2023 £000	Group 31 Dec 2022 £000	**Company 31 Dec 2023 £000**	Company 31 Dec 2022 £000
Sterling	**7,206**	5,415	**548**	452
United States Dollars	**5,167**	6,683	**–**	–
Other	**153**	199	**–**	–
	12,526	12,297	**548**	452

Movements on the provision for impairment of trade receivables are as follows:

	Group 31 Dec 2023 £000	Group 31 Dec 2022 £000
At 1 January	**421**	21
Charged to income statement	**302**	35
Specific provision	**(365)**	365
At 31 December	**358**	421

Movements in the provision for impaired trade receivables have been included in the income statement under other operating costs. £365,000 was written off as unrecoverable to the income statement during the year (2022: £nil).

Non–trade receivables do not contain any impaired assets.

17 Financial instruments

At the balance sheet date, the fair value of outstanding forward foreign exchange contracts and the interest rate swap are:

	31 Dec 2023		31 Dec 2022	
Group	**Assets £000**	**Liabilities £000**	Assets £000	Liabilities £000
Interest rate swaps - cash flow hedges	**534**	**–**	812	–
Forward foreign exchange contracts - cash flow hedges	**607**	**–**	527	–
	1,141	**–**	1,339	–

	31 Dec 2023		31 Dec 2022	
Company	**Assets £000**	**Liabilities £000**	Assets £000	Liabilities £000
Interest rate swaps – cash flow hedges	**534**	**–**	812	–
	534	**–**	812	–

Total derivatives designated as hedging instruments

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

17 Financial instruments (continued)

Currency derivatives

As in previous years, forward foreign exchange contracts are used to hedge a proportion of the Group's forecast Polish Zloty denominated costs over the next 12 months. The forward exchange contracts mature across the year.

The notional principal amounts outstanding at the balance sheet date are as follows:

	31 Dec 2023 £000	31 Dec 2022 £000
Forward foreign exchange contracts – Polish Zloty	**13,624**	13,045

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of highly probable forecast transactions (i.e. notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts are identical to the hedged risk components. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks.

In these hedge relationships, the main sources of ineffectiveness are:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indices (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

At 31 December 2023, the fair value of the Group's interest rate derivatives is estimated to be an asset of approximately £607,000 (2022: £527,000), based on quoted market values.

The forward contracts are designated as effective as cash flow hedges in accordance with IFRS 9 'Financial Instruments'. The fair value has been recognised in other comprehensive income and presented in the hedging reserve in equity.

Derivatives designated in hedging relationships at 31 December 2023:

		Maturity	
Polish Zloty (highly probable forecast purchase)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	**6,654**	**6,970**	**13,624**
Average GBP:Zloty contract value	**5.32**	**5.17**	**5.24**
Change in discounted spot value of outstanding hedging instruments since inception of the hedge (£000)			545
Change in value of hedged item for outstanding hedging instruments (£000)			10

Derivatives designated in hedging relationships at 31 December 2022:

		Maturity	
Polish Zloty (highly probable forecast purchase)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	6,798	6,247	13,045
Average GBP:Zloty contract value	5.59	5.62	5.60

The ineffectiveness recognised in the income statement for the year ending 31 December 2023 was £nil (2022: £43,000). The amount recycled to the income statement in respect of contracts that matured in 2023 was a gain of £941,000 (2022: loss of £187,000).

The effective fair value gain from hedging recognised in other comprehensive income during the year ending 31 December 2023 was £1,021,000 (2022: gain of £604,000).

17 Financial instruments (continued)

Interest rate swap

The Group and Company entered into floating-to-fixed interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at floating rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swap contract match the terms of highly probable forecast transactions (i.e. notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap contract are identical to the hedged risk components. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks.

At 31 December 2023, the fair value of the Group's interest rate derivatives is estimated to be an asset of approximately £534,000 (2022: £812,000) based on discounting the expected future cash flows at prevailing interest rates and are based on market prices at the balance sheet date.

The interest rate swap is designated as an effective cash flow hedge in accordance with IFRS 9 'Financial Instruments'. The change in fair value of the hedging instrument since the start of the year was £23,000 and has been recognised in other comprehensive income and presented in the hedging reserve in equity.

Derivatives designated in hedging relationships at 31 December 2023:

	Fixed to floating Maturity			Floating to fixed Maturity		
	Less than 1 year	**Between 1 and 2 years**	**Total**	**Less than 1 year**	**Between 1 and 2 years**	**Total**
Notional amount (£000)	1,250	7,188	**8,438**	1,250	7,188	**8,438**
Weighted average hedged rate	SONIA + 1.75%	SONIA + 1.75%		2.95%	2.95%	

The change in value of the hedged item used to determine hedge effectiveness in the year was £1,250,000. The ineffectiveness recognised in the income statement for the year ending 31 December 2023 was £nil (2022: £nil).

The effective fair value gain from hedging recognised in other comprehensive income during the year ending 31 December 2023 was £23,000 (2022: £841,000 gain).

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year-end exchange rates.

		31 Dec 2023		31 Dec 2022	
	Note	**Book value £000**	**Fair value £000**	Book value £000	Fair value £000
Group					
Cash at bank and in hand	18	**34,085**	**34,085**	29,245	29,245

		31 Dec 2023		31 Dec 2022	
	Note	**Book value £000**	**Fair value £000**	Book value £000	Fair value £000
Company					
Cash at bank and in hand	18	**22,951**	**22,951**	14,340	14,340

The carrying amount of borrowings, short term payables and receivables, net of impairment, is equal to their fair value.

Neither the Group or the Company defaulted on any loans during the year. In addition the Group and Company did not breach the terms of any loan agreements during the year.

Notes to the Consolidated Financial Statements

17 Financial instruments (continued)

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to the customer type.

Group	2023 £000	2022 £000
Trade receivables		
Banks and financial institutions	**3,284**	1,641
Other corporates	**2,358**	4,393
Total current trade receivables	**5,642**	6,034
Banks and financial institutions	**542**	888
Other corporates	**4,494**	3,169
Overdue trade receivables	**5,036**	4,057
Total trade receivables	**10,678**	10,091

Cash at bank and short-term bank deposits

Current Rating (Moody's)	2023 £000	2022 £000
A3	**29,121**	22,666
Aa3	**4,868**	6,468
Aa1	**96**	111
	34,085	29,245

None of the financial assets that are fully performing have been renegotiated in the last year.

18 Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	Group 31 Dec 2023 £000	Group 31 Dec 2022 £000	Company 31 Dec 2023 £000	Company 31 Dec 2022 £000
Sterling	**23,815**	15,525	**22,951**	14,340
United States Dollar	**8,821**	13,112	**–**	–
Euros	**356**	212	**–**	–
Canadian Dollar	**798**	285	**–**	–
Polish Zloty	**259**	44	**–**	–
Singapore Dollar	**29**	49	**–**	–
Japanese Yen	**7**	18	**–**	–
Cash at bank and in hand	**34,085**	29,245	**22,951**	14,340

The effective interest rate on short term deposits was 1.1% (2022: 0.0%).

19 Financial liabilities

	Group 31 Dec 2023 £000	Group 31 Dec 2022 £000	Company 31 Dec 2023 £000	Company 31 Dec 2022 £000
Bank loan	**8,389**	9,597	**8,389**	9,597
The borrowings are repayable as follows:				
Within one year	**1,250**	1,250	**1,250**	1,250
In the second year	**7,188**	8,438	**7,188**	8,438
In the third to fifth years inclusive	**–**	–	**–**	–
	8,438	9,688	**8,438**	9,688
Unamortised prepaid facility arrangement fees	**(49)**	(91)	**(49)**	(91)
As at 31 December	**8,389**	9,597	**8,389**	9,597

On 15 October 2021, the Group and Company entered into a loan agreement with Bank of Ireland consisting of a £10 million term loan in addition to a revolving credit facility of £10 million. The loan is secured on all the assets of the Group. Operating covenants are limited to the Group's net debt leverage of 2.0 : 1 and interest cover of 4.0 : 1. At 31 December 2023, the Group's net debt leverage was -3.7 : 1 and interest cover was 16.5 : 1. The term loan is repayable over three years with an initial 12-month repayment holiday followed by annual capital repayments of £1,250,000. The term loan contains two one-year extension options, one of which was exercised during the year. The Group's current intention is to exercise the second extension option in the next year. At the end of the term, a bullet payment for the remaining balance of the loan is due. The loan is denominated in Pound Sterling and carries interest at SONIA plus 1.75%. The Group entered into an interest swap on 2 November 2021, effectively fixing the interest rate at 2.95% over the term of the loan.

20 Trade and other payables

	Group 31 Dec 2023 £000	Group 31 Dec 2022 £000	Company 31 Dec 2023 £000	Company 31 Dec 2022 £000
Trade payables	**482**	826	**11**	63
Amounts owed to group undertakings	**–**	–	**14,135**	14,330
Other tax and social security payable	**1,614**	1,370	**–**	–
Other payables	**168**	204	**–**	–
Accruals	**7,034**	6,183	**736**	589
Deferred income	**31,475**	29,563	**–**	–
	40,773	38,146	**14,882**	14,982

The amounts owed to group undertakings are unsecured, interest free and repayable upon demand.

Deferred income has increased in the year to £31.5 million (31 December 2022: £29.6 million). The movement is due to the growth in recurring revenues during the year which has caused an uplift in the value of Annual License and subscription fee invoices issued during 2023 in excess of that recognised.

The Company borrowed £1,273,000 from group undertakings during the year (2022: borrowed £1,247,000 from group undertakings) representing the movement on the net amount owed to or from group undertakings from the start of the year to the year end. These amounts are detailed in both note 16 and the table above with the cash impact incorporating non-cash movements totalling £12,500,000 (2022: £nil). Gross borrowings during the year totalled £71,037,000 net of £69,764,000 payments (2022: borrowings of £59,184,000 net of £57,937,000 payments). The movements in the year are in relation to the Group's treasury arrangements.

Notes to the Consolidated Financial Statements

21 Capital lease obligations

The Group leases various offices and plant and machinery which, following the adoption of IFRS 16, met the criteria set out to be recognised as capital lease agreements

	Group 31 Dec 2023 £000	Group 31 Dec 2022 £000
Amounts payable under capital lease arrangements:		
Within one year	**538**	642
Within two to five years	**1,997**	2,284
After five years	**906**	1,387
Total	**3,441**	4,313
Less: future finance charges	**(427)**	(564)
Present value of lease obligations	**3,014**	3,749
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(426)**	(553)
As at 31 December	**2,588**	3,196

	Group 31 Dec 2023 £000	Group 31 Dec 2022 £000
The present value of financial lease liabilities is split as follows:		
Within one year	**426**	553
Within two to five years	**1,728**	1,897
After five years	**860**	1,299
	3,014	3,749

The Company had no capital lease obligations during the year (2022: nil).

	Group 31 Dec 2023 £000	**Group 31 Dec 2022 £000**
Liability as at 1 January	**3,749**	3,050
Additions	**–**	830
Interest	**129**	123
De-recognition	**(168)**	–
Foreign exchange	**(162)**	151
Repayments	**(534)**	(405)
Liability as at 31 December	**3,014**	3,749

Total cash outflows from all leases totalled £1,084,000 (2022: £716,000), of which £550,000 (2022: £311,000) related to short term or low value leases. These amounts are displayed within the cash flows from operating activities in the statement of cash flows.

22 Provisions

	Provisions	
	31 Dec 2023	31 Dec 2022
	£000	£000
Group		
At 1 January	**316**	379
Charged/(released) to income statement	**158**	(76)
Utilised in the period	**(114)**	–
Foreign exchange	**8**	13
At 31 December	**368**	316

Provisions have been analysed between current and non-current as follows:

	Provisions	
	31 Dec 2023	31 Dec 2022
	£000	£000
Current	**100**	114
Non-current	**268**	202
	368	316

£288,000 (2022: £273,000) of the total provision at 31 December 2023 of £368,000 (2022: £316,000) relates to the cost of dilapidations in respect of its occupied leasehold premises.

All of the non-current provision is expected to unwind within 2 to 5 years (2022: 2 to 5 years).

Notes to the Consolidated Financial Statements

23 Share capital

	31 Dec 2023		31 Dec 2022	
	Number	**£000**	Number	£000
Group and company				
Ordinary shares of 7 1/3p each				
Issued and fully paid:				
At 1 January	**57,337,611**	**4,204**	57,199,448	4,194
Issued under share option schemes	–	–	138,163	10
Equity consideration on acquisition	–	–	–	–
At 31 December	**57,337,611**	**4,204**	57,337,611	4,204

The number of ordinary shares for which Aptitude employees hold options and the period to which the options are exercisable are as follows (note 29):

Period	Year of grant	Exercise price	2023 Number	2022 Number
Between 30 August 2023 and 10 August 2028	2018	6 3/7p	–	28,431
Between 12 March 2022 and 10 August 2029	2019	7 1/3p	**36,797**	63,842
Between 12 March 2024 and 10 August 2029	2019	7 1/3p	**39,525**	3,572
Between 1 November 2022 and 1 May 2023	2019	590.0p	–	2,623
Between 1 November 2022 and 1 May 2023	2019	600.0p	–	64,678
Between 12 March 2022 and 10 August 2029	2020	7 1/3p	–	179,000
Between 12 March 2024 and 10 August 2029	2020	7 1/3p	–	123,669
Between 1 November 2023 and 1 May 2024	2020	460.0p	**148,178**	221,357
Between 1 November 2023 and 1 May 2024	2020	446.0p	**12,508**	40,058
Between 12 March 2023 and 10 August 2030	2021	7 1/3p	**140,267**	207,076
Between 12 March 2025 and 10 August 2030	2021	7 1/3p	–	98,610
Between 1 November 2024 and 1 May 2025	2021	692.0p	**1,222**	10,671
Between 1 November 2024 and 1 May 2025	2021	700.0p	**44,747**	61,720
Between 22 November 2025 and 22 May 2032	2022	7 1/3p	**282,960**	460,351
Between 22 November 2027 and 22 May 2032	2022	7 1/3p	–	164,893
Between 1 December 2025 and 1 May 2026	2022	372.5p	**39,198**	118,761
Between 1 December 2025 and 1 May 2026	2022	335.0p	**298,154**	465,798
Between 5 September 2026 and 5 September 2033	2023	7 1/3p	**361,685**	–
Between 5 September 2028 and 5 September 2035	2023	7 1/3p	**74,660**	–
Between 1 December 2026 and 1 May 2027	2023	236.0p	**140,694**	–
Between 1 December 2026 and 1 May 2027	2023	280.0p	**713,370**	–
			2,333,965	2,315,110

24 Share premium account

	2023 £000	2022 £000
Group and Company		
At 1 January	**11,959**	11,946
Premium on shares issued during the year under the share option schemes	–	13
At 31 December	**11,959**	11,959

The total net proceeds from the issuance of shares during the year was £nil (2022: £23,000) with £nil (2022: £10,000) of this being recognised within share capital, being the nominal value of shares issued. The remaining amount represents the premium on issue which is detailed in the table above.

25 Other reserves

	Derivatives hedge reserve £000	Merger reserve £000	Employee benefit trust reserve £000	Total £000
Group				
At 1 January 2022	(293)	34,195	–	33,902
Cash flow hedges				
Cash flow hedges reclassified to income statement	187	–	–	187
Gain on effective cash flow hedges	1,445	–	–	1,445
Deferred tax on cash flow hedges	(335)	–	–	(335)
At 31 December 2022	1,004	34,195	–	35,199
Cash flow hedges				
Cash flow hedges reclassified to income statement	(1,242)	–	–	(1,242)
Gain on effective cash flow hedges	1,044	–	–	1,044
Deferred tax on cash flow hedges	50	–	–	50
Transfer on exercise of options	–	–	124	124
Purchase of own shares	–	–	(186)	(186)
At 31 December 2023	**856**	**34,195**	**(62)**	**34,989**

	Derivatives hedge reserve £000	Merger reserve £000	Employee benefit trust reserve £000	Total £000
Company				
Cash flow hedges				
At 1 January 2022	(29)	17,398	–	17,369
Gain on effective cash flow hedges	812	–	–	812
Deferred tax on cash flow hedges	(203)	–	–	(203)
At 31 December 2022	580	17,398	–	17,978
Cash flow hedges				
Cash flow hedges reclassified to income statement	(302)	–	–	(302)
Gain on effective cash flow hedges	23	–	–	23
Deferred tax on cash flow hedges	70	–	–	70
Transfer on exercise of options	–	–	124	124
Purchase of own shares	–	–	(186)	(186)
At 31 December 2023	**371**	**17,398**	**(62)**	**17,707**

26 (Accumulated losses)/retained earnings

	Group £000	Company £000
At 1 January 2022	(3,346)	18,116
Profit for the year	2,595	(791)
Share options – value of employee service (note 30)	695	695
Deferred tax on share options (note 15)	(137)	(55)
Dividends paid (note 8)	(3,093)	(3,093)
At 31 December 2022	(3,286)	14,872
Profit for the year	4,125	12,053
Share options – value of employee service (note 29)	125	73
Issue of shares	(151)	(151)
Deferred tax on share options (note 15)	(66)	17
Dividends paid (note 8)	(3,096)	(3,096)
At 31 December 2023	**(2,349)**	**23,768**

The profit for the financial year dealt with in the financial statements of the Company was £12,053,000 (2022: loss of £791,000). As permitted by Section 408 of the Companies Act 2006, no separate income statement or statement of comprehensive income is presented in respect of the Company.

Of the Company's £23,768,000 retained earnings, £21,122,000 (2022: £12,998,000) is distributable to shareholders following adjustment for the cumulative impact of share options value of service through reserves.

27 Cash flows from operating activities

Reconciliation of profit before tax to net cash generated from operations:

	Group Year ended 31 Dec 2023 £000	Group Year ended 31 Dec 2022 £000	**Company Year ended 31 Dec 2023 £000**	Company Year ended 31 Dec 2022 £000
Profit before tax for the period	**5,040**	3,205	**12,053**	(791)
Adjustments for:				
Depreciation	**1,049**	1,132	**10**	9
Amortisation	**3,381**	3,382	**–**	–
Share-based payment expense	**125**	695	**(173)**	22
Finance income	**(282)**	(18)	**(273)**	(18)
Finance costs	**527**	498	**315**	375
Changes in working capital:				
Decrease/(increase) in receivables	**63**	(1,485)	**(96)**	(157)
Increase/(decrease) in payables	**2,042**	(2,137)	**95**	(643)
Cash generated from/(used in) operations	**11,945**	5,272	**11,931**	(1,203)

28 Commitments

The Group and Company have no commitments other than short term leases or a lease of low-value asset during the year (2022: £nil).

29 Share based payments

Performance Share Plan (PSP)

Under the 2016 Performance Share Plan (PSP), the Remuneration Committee is allowed to grant conditional allocations of par value options in the Company to key executives. The contractual life of an option is 10 years. The PSP is considered a Long Term Incentive Plan (LTIP) award.

334,684 options were granted on 6 September 2023 (2022: 629,518 awards granted). The performance conditions are in line with those described for the executive Directors on page 52.

The inputs inserted into the Monte Carlo Pricing model for the options granted in 2023 are detailed below.

Item	Value
Exercise price	7 1/3p
Expected volatility	40.00%
Dividend yield	1.88%
Risk-free interest rate	4.81%
Share price at grant date	287p

For the calculation of the expected volatility, historical share price volatility was used as a guide over a commensurate period to the expected term of awards.

At the year end there were 43 (2022: 53) employees currently participating in the scheme. Exercise of an option is subject to continued employment.

Details of the share options outstanding under the PSP during the year are as follows:

	2023		2022	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**1,329,444**	**7.25p**	1,084,463	7.25p
Granted	**334,684**	**7 1/3p**	629,518	7 1/3p
Exercised	**(32,283)**	**6.43p**	(134,902)	6.43p
Lapsed	**(842,982)**	**7 1/3p**	(249,635)	7 1/3p
Outstanding at 31 December	**788,863**	**7.23p**	1,329,444	7.25p
Vested and exercisable at 31 December	**177,064**	**7 1/3p**	3,572	7 1/3p

32,283 (2022: 134,902) PSP share options were exercised in 2023. The weighted average share price at the date of exercise for share options exercised during 2023 under the Share Option Plans was 346p (2022: 317p).

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 8.47 years (2022: 9.66 years).

No options have expired during the periods covered by the above tables.

Notes to the Consolidated Financial Statements

29 Share based payments (continued)

Share Option Plans

The Group has set up several Share Option Plans, under which the Remuneration Committee can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 3.5 years. Following the introduction of a new sharesave scheme in 2018, 313 employees (2022: 272) currently participate in these Plans.

Options granted under the Share Option Plans will become exercisable on the third anniversary of the date of grant, subject to specific criteria being met.

Exercise of an option is subject to continued employment.

Details of the share options outstanding under the Share Option Plans during the year are as follows:

	2023		2022	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**985,666**	**397.02p**	660,550	505.58p
Granted	**891,125**	**272.16p**	589,932	342.55p
Exercised	**–**	**00.00p**	(3,261)	416.92p
Lapsed	**(478,720)**	**421.41p**	(261,555)	548.11p
Outstanding at 31 December	**1,398,071**	**309.09p**	985,666	397.02p
Exercisable at 31 December	**160,686**	**458.91p**	67,301	599.61p

The inputs inserted into the Black Scholes Pricing model for the options granted in 2023 are detailed below.

	Value	
Item	**UK**	**International**
Exercise price	236p	280p
Expected volatility	39.30%	39.30%
Dividend yield	1.91%	1.91%
Risk-free interest rate	4.60%	4.60%
Expected cancellation rate	5%	5%

For the calculation of the expected volatility, historical share price volatility was used as a guide over a commensurate period to the expected term of awards.

The weighted average share price at the date of exercise for share options exercised during the year under the Share Option Plans was £nil (2022: 509.0p).

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 2.68 years (2022: 3.63 years).

No options have expired during the periods covered by the above tables.

29 Share based payments (continued)

Restricted Stock Units (RSUs)

During the year, the Group issued Restricted Stock Units (RSUs), under which the Remuneration Committee can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 3 years.

Options granted as Restricted Stock Units will become exercisable on the third anniversary of the date of grant, subject to specific criteria being met.

Exercise of an option is subject to continued employment.

Details of the share options outstanding under the Share Option Plans during the year are as follows:

	2023	
	Number	Weighted average exercise price
Outstanding at 1 January	–	
Granted	**156,954**	**7 1/3p**
Lapsed	**(9,923)**	**7 1/3p**
Outstanding at 31 December	**147,031**	**7 1/3p**
Exercisable at 31 December	–	

The inputs inserted into the Black Scholes Pricing model for the options granted in 2023 are detailed below.

	Value
Exercise price	7 1/3p
Expected volatility	40.00%
Dividend yield	1.88%
Risk-free interest rate	4.81%

For the calculation of the expected volatility, historical share price volatility was used as a guide over a commensurate period to the expected term of awards.

The weighted average share price at the date of exercise for share options exercised during the year under the RSU Plans was £nil (2022: £nil).

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 9.69 years (2022: nil years).

The Group recognised total expenses of £125,000 (2022: £695,000) related to equity-settled share-based payment transactions during the year. After deferred tax, the total charge in the income statement was £128,000 (2022: £617,000). There was a deferred tax charge of £63,000 (2022: charge of £137,000) taken directly to equity.

The Company recognised a credit of £173,000 (2022: expenses of £22,000) related to equity-settled share-based payment transactions during the year. After deferred tax, the total credit in the income statement was £129,000 (2022: charge of £8,000). There was a deferred tax credit of £17,000 (2022: deferred tax charge of £55,000) taken directly to equity.

Notes to the Consolidated Financial Statements

30 Retirement benefit schemes

The Group operates defined contribution retirement benefit plans for qualifying employees in the UK. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The Group also operates defined contribution retirement benefit plans for its overseas employees with contributions up to 6% of basic salary.

The total expense in the income statement of £1,271,000 (2022: £1,258,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2023, contributions totalling £nil (2022: £29,000) due in respect of the 2023 reporting year had not been paid over to the plans and were included within accruals. All amounts were paid over subsequent to the balance sheet date.

31 Related party transactions

Group

During the year, the following directors were paid dividends as ordinary shareholders from Aptitude Software Group plc whilst acting as a director:

Ivan Martin was paid dividends of £12,150. Jeremy Suddards was paid dividends of £934. Philip Wood was paid dividends of £7,825. Alex Curran was paid dividends of £215.

There were no further related party transactions in the year ended 31 December 2023 (2022: £nil), as defined by International Accounting Standard No 24 "Related Party Disclosures" other than key management compensation as disclosed in note 4.

32 Contingent liabilities

The Group had no contingent liabilities at 31 December 2023. In 2022, two clients ceased the implementation of the Group's products and provided the Group with correspondence terminating their multi-year agreement alleging contractual breaches by Aptitude and claiming damages. The Group rejected both the purported termination of the two agreements and claim for damages and notified the clients of the charges due to Aptitude under the minimum terms of their agreements. One was resolved in the year and the Group maintain their position on the other, therefore no provision has been recognised at 31 December 2023 (2022: £nil).

The Group does not consider a contingent liability in respect of either of the claims at 31 December 2023.

Shareholder Information

Analysis of share register

Ordinary Shares

As at 20 March 2024, the Company had 875 registered holders of ordinary shares. Their shareholdings are analysed below:

Size of shareholding	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
1-1,000	516	59.0	152,924	516
1,001-5,000	184	21.0	429,282	0.7
5,001-50,000	105	12.0	1,678,631	2.9
50,001-500,000	50	5.7	9,722,926	17.0
500,001-above	20	2.3	45,353,848	79.1
Total	**875**	**100%**	**57,337,611**	**100%**

Shareholder type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
Institutional shareholders	191	21.9	55,503,267	96.8
Private shareholders	684	78.1	1,834,344	3.2
Total	**875**	**100%**	**57,337,611**	**100%**

Share dealing enquiries

Shareholders' enquiries regarding shareholdings or dividends should in the first instance be addressed to Link Group.

Link Group - Share Dealing
Central Square,
29 Wellington Street,
Leeds
LS1 4DL.

0371 664 0445 (Calls are charged at the standard geographic rate and will vary by provider)

Outside UK +**44 (0) 371 664 0445** (Calls outside the United Kingdom are charged at the applicable international rate)

Lines are open Monday - Friday 8am - 4:30pm

Email: info@linksharedeal.com

Donate your shares to charity

If you have only a small number of shares which are uneconomical to sell you may wish to donate them to charity free of charge through ShareGift (Registered Charity10528686).

Find out more at www.sharegift.org.uk or by telephoning 020 7930 3737.

Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

Shareholder Information

Protect yourself

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at http://www.fca.org.uk/ to ensure they are authorised.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Search our list of unauthorised firms and individuals to avoid doing business with.

Annual General Meeting of shareholders

We consider the Annual General Meeting of shareholders (AGM) to be an important event in our calendar and a significant opportunity to engage with our shareholders. The 2024 AGM will be held at 9:00 a.m. on Tuesday 14 May 2024 at the offices of Aptitude Software Group plc, 8th Floor, 138 Cheapside, London, EC2V 6BJ. Details are given in a separate notice to shareholders. A copy of the Notice of Annual General Meeting together with this Annual Report is posted on the Company's website www.aptitudesoftware.com. Shareholders are strongly encouraged to vote ahead of the meeting regardless of whether they plan to attend the AGM in person, to mitigate against the risk of disruptions such as train strikes.

Shareholders are also invited to submit questions ahead of the AGM. Details of how to do this are contained in the Notice of Annual General Meeting

Website

The investor section of the Group's corporate website, www.aptitidesoftware.com contains a wide range of information including regulatory news, results announcements, share price information and information about our Board and Committees. It is also possible to sign up to receive regulatory news relating to Aptitude Software plc alerts by email at www.aptitudesoftware.com/investor-relations/email-alerts/

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