





Gresham Technologies plc is a leading software and services company that specialises in providing real-time transaction control and enterprise data integrity solutions.

Strategic Report

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Highlights

Group revenues

£21.7m +26%



Clareti revenues

£11.1m +48%



Adjusted EBITDA

£5.1m +34%



Group annualised recurring revenues

£9.4m -14%



Clareti annualised recurring revenues

£5.7m +24%



Adjusted diluted EPS

6.5p +38%



Financial

- Group revenues up 26% to £21.7m (2016: £17.2m), of which:
 - Clareti revenues up 48% to £11.1m (2016: £7.5m), including £1.2m from C24 Technologies (2016: £0.3m);
 - Other revenues as planned and consistent year on year.
- Clareti software revenues up 74% to £8.2m (2016: £4.7m), of which Clareti software recurring revenues up 83% to £5.3m (2016: £2.9m).
- Clareti annualised recurring revenues ("ARR") as at 31 December 2017 up 24% to £5.7m (2016: £4.6m).
- Group ARR as at 31 December 2017 down 14% resulting from the planned exit of a legacy partner arrangement.
- Adjusted EBITDA* up 34% to £5.1m (2016: £3.8m).
- Statutory profit before tax as reported up 41% to £3.1m (2016: £2.2m).
- Adjusted diluted earnings per share** up 38% to 6.5 pence (2016: 4.7 pence).
- Cash at 31 December 2017 of £8.5m including £0.2m short-term bank deposits and no debt (2016: £7.2m and no debt).
- Progressive dividend policy initiated. Final dividend proposed at 0.5 pence per share (2016: nil).

Operational

- Continued investment in 2017 and planned for 2018 to increase sales and distribution capacity.
- 15 new CTC clients in 2017 across the US, Canada, Australia, the UK and Europe.
- Strong performance from North America following direct sales investment in 2016 and 2017.
- C24 business integration completed and delivering planned benefits.
- Management confident about the prospects for the Group.

* Adjusted EBITDA refers to earnings before interest, tax, depreciation and amortisation, adjusted to add back share-based payment charges and exceptional items (Note 10).

** Adjusted to add back share-based payment charges, exceptional items and amortisation from acquired intangible assets.

➤ **Strategy**
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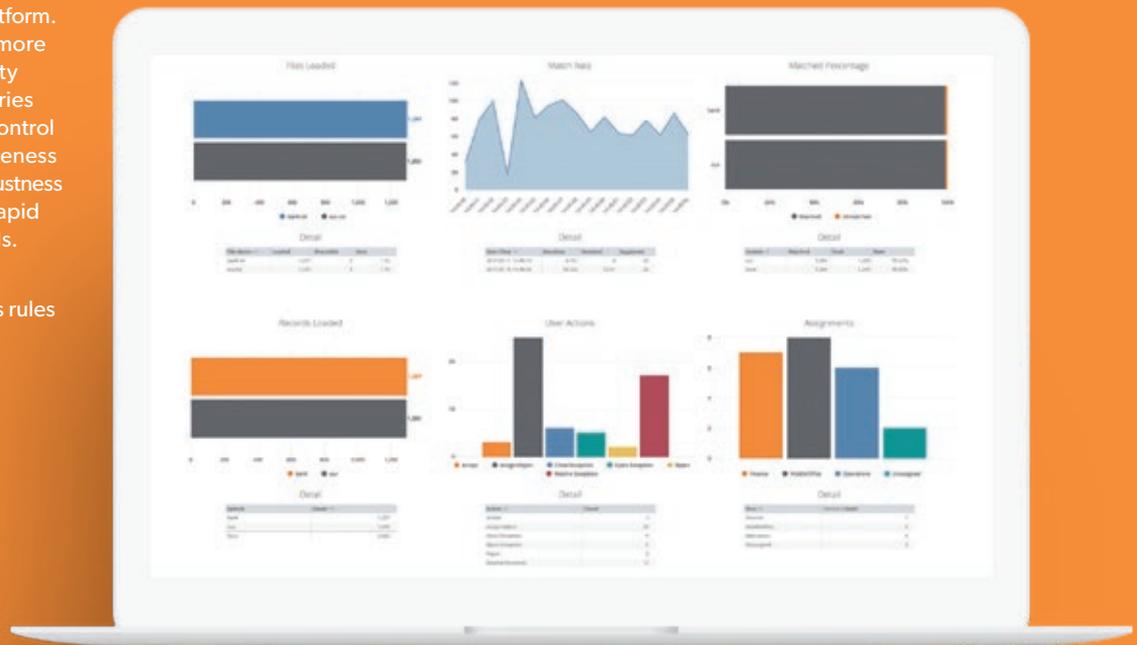
➤ **Key performance indicators**
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What we offer

We provide innovative technology designed to put financial institutions in control of their data and give complete certainty in their data processing activities.

At the heart of this is the Clareti platform. Clareti was designed as a faster, more agile, more visionary data integrity platform that pushes the boundaries of innovation. Clareti provides a control framework for accuracy, completeness and timeliness that guarantees robustness and accountability and enables rapid deployment of enterprise controls. Key features include:

- Flexible workflow and business rules
- Rapid onboarding
- Matching engine
- Cloud native
- In-memory data grid
- Machine learning
- Embedded analytics
- Integration adapters and APIs
- White label



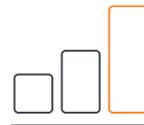
Regulatory Compliance

Automating data verification and validation to deliver accurate reports to regulators, demonstrate regulatory compliance and avoid regulatory fines.



Risk Control

Assuring data integrity in real time across fragmented systems to mitigate operational and conduct risks.



Financial Control

Achieving full control of financial books and records to gain business efficiencies and ensure joined up and accurate reporting.



Data Management

Implementing high speed controls over data at massive scale to identify data quality issues and accelerate resolution processes.

> **Business model**
page 8

> **Innovative technology**
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Where we operate

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



Our culture

We seek excellence in everything we do and we create a culture to foster and support this.

- We are growing faster than the competition and aim to dominate our chosen markets
- Customers and colleagues must feel that working with Gresham is awesome
- We deliver a high quality customer centric experience that delights
- We seek to hire and develop brilliant people
- Our products, processes and services will be the best in the industry
- Our office environment is flexible, open plan, collaborative and fun
- Our organisation is flat which empowers people to be agile and flexible
- We work on a range of cutting edge technologies and methodologies
- We share a passion for new technology and are inspired to explore new ideas



> **Sustainability**
page 24

Another very successful year



Ken Archer

“

2017 has been a very successful year for the Group, which of course is made up of a great many team and individual successes. This is a testament to the hard work, expertise and professionalism of the Gresham team.

Dear shareholder

I am pleased to present this Annual Financial Report 2017 which records another very successful year for the Group.

All financial targets were met or exceeded following the continuing successful deployment of the Clareti platform across a variety of financial services sectors globally. The Group has achieved notable sales success in North America following its sales and marketing investment in the region.

This result stems from the effectiveness of the Group's ongoing investment in its core product for transaction data management and its successful implementation on behalf of our clients.

Overview

Gresham continued to build upon the previously stated strategic objectives (see Strategy, page 12) and I am delighted with our 26% top-line growth with total revenues for the Group rising to £21.7m. Importantly, we have continued to secure new, high-margin recurring Clareti revenues, which has resulted in Clareti annualised recurring revenues closing at £5.7m (up 24% over 2016) and associated growth in underlying profitability yielding an adjusted EBITDA for the Group of £5.1m (up 34% over 2016).

Our clients have been operating in a challenging market environment characterised by geo-political and legislative uncertainties as well as increased (and increasing) regulatory demands. These factors have given rise to client operating cost pressures, which have a constraining effect on IT investment. At the same time, these pressures drive demand for more effective IT solutions to improve internal efficiency. A critical factor in the efficient management and reporting of client processed transactions is the accuracy of the data received by, and contained within, these transaction flows. Clareti offers clients a strategic platform to address these challenges by better management of data, automation of transaction reconciliation and exception management thereby increasing efficiency of processing, improved risk management and compliant reporting. The increasing volume of transactions is a demand driver for our core solution Clareti Transaction Control ("CTC").

As mentioned earlier, the Group has made substantial progress in expanding the adoption of Clareti solutions globally. The important North America market contributed 39% of new Clareti sales in 2017 following investment in the direct sales team. The North America market has the potential for much higher growth and the Board continues to support the ongoing investments in direct sales, in addition to forming strategic alliances to further expand distribution capacity.

Ongoing investments

The Board continues to believe there is a very significant market opportunity for data integrity and control solutions and that ongoing investment in key strategic areas is essential. Accordingly, the Company is making further investments in sales, marketing and implementation resources, in order to capitalise on the market opportunity and accelerate Clareti growth.

As noted above, regulatory reporting demands on our clients are increasing both in number and complexity. Technology will increasingly be used to respond to these demands and we believe our Clareti platform is well suited as a data framework for regulatory control. We are already working with several clients to develop our offerings and would expect strong sales demand to follow.

Board changes

In May 2017, Andy Balchin joined the Board as Independent Non-Executive Director and chair of the audit committee. Andy Balchin is currently Chief Financial Officer of the cyber division of RUAG Holding AG, a major Swiss organisation, which acquired Clearswift, a provider of cyber security solutions, in January 2017, where he was CFO, and brings significant financial experience in high-growth software companies. He replaced Chris Errington who left the Board after serving previously as CFO and CEO.

We welcome Tom Mullan to the Board as Chief Financial Officer, and we look forward to working with him as we continue the successful development of the Company. He replaces Rob Grubb who has made an outstanding contribution to the Group's development over the last nine years and who leaves with our very best wishes.

Shareholder value

Our share price has continued to experience a degree of volatility in the year which is common for the small cap market, but it is pleasing to note that the overall upward trend persists. Earnings per share increased to 6.5 pence on an adjusted and diluted basis (2016: 4.7 pence).

In light of the Company's increasing profitability and strong cash reserves, I am pleased to confirm that the Company will be commencing the payment of a progressive dividend. In respect of financial year 2017, the Board is proposing a final dividend of 0.5 pence per share for shareholder approval at the forthcoming Annual General Meeting.

The Gresham organisation and its employees are fully aligned to growing profitable revenue from Clareti sales globally. I remain confident that our investments in sales, marketing and client success provide the platform to deliver shareholder value from our ongoing investments.

In summary

With our continued investment in the Clareti portfolio and sales and marketing expansion, I anticipate further improvement in our market position as we respond to the growing demand for transparency and integrity over risk and financial data processing. 2017 has been a very successful year for the Group, which of course is made up of a great many team and individual successes. This is a testament to the hard work, expertise and professionalism of the Gresham team. I would like to thank the management and staff for their continued support and resolve to achieve success in our pursuit of market leadership in real-time transaction control and enterprise data integrity.

Ken Archer

Non-Executive Chairman

12 March 2018

Strong, profitable growth



Ian Manocha

“

With Clareti sales now generating more than half of all Group sales and with the Group now generating surplus cash for the first time in many years, we are confident our strategy is on track and certain about our ability to deliver sustainable long-term profitable growth for our shareholders.

Dear shareholder

I am pleased to report another year of strong, profitable growth for the Group, driven by the continued success of the Clareti business.

In 2017, Clareti revenue growth was underpinned by high quality new customer wins in UK, Western Europe, the United States and Canada. It is pleasing to see wins in all our target geographic markets, particularly in North America and in continental Europe, following recent investments into local sales offices. New customer wins were represented across our targeted industry segments including asset managers, hedge funds, sell-side banks and brokerages, insurance broking, and our second win into the energy and commodities sector. A total of 15 new clients were won and, with growth from existing accounts during the year, high levels of customer retention, and the addition of annuities acquired with C24, we exited the year with a strong base of recurring revenues.

With the addition of related consulting and managed services, the Clareti business now accounts for more than half of all Group revenues and our dependency on legacy revenues continues to reduce.

Our Australian business saw a strong year of revenue growth with a deepening relationship with one of the region's leading banks. Our legacy business remained stable during the year with some changes in the mix as we proactively manage the portfolio to optimise returns.

During the year, we also strengthened our organisation with the addition of many excellent new hires. We have appointed regional sales leaders in both North America and in Europe, and have hired additional staff in direct sales, partner sales and pre-sales. We have brought our first full-time HR leader into the business, and we have scaled up resources in key technical disciplines such as software development, project management and consulting. The continued investment in sales and marketing, product and delivery resources, has been achieved whilst maintaining margins and improving earnings.

Financial year 2017 reflects yet another strong performance from a motivated global team and a further year of excellent progress for the Group, which is transforming into one of the UK's most exciting listed financial technology companies.

Strategy and opportunity

Our goal is to be recognised as a leading global provider of enterprise financial technology and deliver sustained profitable growth for the Group and long-term value for shareholders.

From a starting point as a newcomer and disruptive challenger in the matching and reconciliation space just a few years ago, Gresham is now regarded as the emerging champion and we are routinely included in vendor selections for new requirements as well as replacements. The core use case for Clareti Transaction Control continues to be that of addressing larger scale reconciliation and transaction data quality problems in financial markets and we intend to capitalise on this opportunity over the next few years.

We also see a broader market opportunity for our modern technology and we aim to establish Clareti within the financial industry as a “de-facto” standard platform for firms with complex data processing challenges who need to improve integrity and evidence control across their entire business. Regulatory drivers are increasingly behind this requirement and it was pleasing to see three RegTech deals signed in 2017.

In addition to our work in capital markets, the Clareti platform has found use cases in corporate banking and payments, securing white label and OEM agreements for CTC, Clareti ARM and Clareti 24. The transformation underway in transaction banking and industry initiatives such as open banking and faster payments is creating opportunities for more agile technologies and more innovative FinTech partnerships.

Finally, in the commercial real estate market, we see a longer-term opportunity to build on the Clareti Loan Control joint venture established at the end of 2016 now that the core product development work is substantially complete.

With a core business in next-generation reconciliation technology, a closely aligned business in regulatory solutions and complementary revenue streams in corporate banking and commercial lending solutions, the Group now has four engines to drive future growth. Thinking about the business in this way also provides a framework in which to consider future acquisitions and to optimise our use of capital. Ultimately, it is our intention to build a high-margin, recurring revenue business of substantial scale based on licence subscriptions and cloud services stemming from our investment into the Clareti platform and our deep knowledge of financial markets.

Outlook

We started 2018 with the Clareti annuity stream up 24% year-on-year and, in the first quarter of 2018 so far, we have signed a further insurance broking business for CTC, a Clareti Adapter sale and several professional services engagements for delivery of software contracts won in late 2017.

We will continue to focus our direct sales effort in the UK, Europe and North America and we are building partner relationships with major system integrators and consulting houses. In Asia Pacific, we will continue to expand our work directly with key accounts in Australia and Singapore, and we will look to resellers to provide a channel into other local markets.

CTC is expected to drive the majority of new wins, with Clareti-as-a-Service providing incremental hosting and managed service revenues. Clareti Analytics and Clareti Adapters are expected to provide upsell opportunity and we also expect to see revenue growing within the installed base. We will look for opportunity to broaden the appeal of our Clareti ARM offering with new capabilities.

The Group’s legacy portfolio of licences and sub-contracting is expected to decline in 2018, although we remain confident that our legacy business will be sustained for the medium term.

With Clareti sales now generating more than half of all Group sales and with the Group now generating surplus cash for the first time in many years, we are confident our strategy is on track and certain about our ability to deliver sustainable long-term profitable growth for our shareholders.

Thank you for your ongoing support.

Ian Manocha
Chief Executive

12 March 2018

Innovative software solutions

Our business model is to earn high-margin, recurring revenues by providing innovative software solutions to financial institutions in the field of data integrity and control

Our strengths

INNOVATIVE TECHNOLOGY

Our technology is built on robust, modern architecture using an agile methodology, and we have built a reputation for consistently delivering innovative solutions using the latest technologies. Our development ethos and commitment to innovation provides competitive differentiation.

> **Innovative technology**
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MARKET

Financial institutions are subject to increasingly rigorous and complex data control and processing requirements. This has created a global addressable market for flexible and scalable technology that can be used to address data integrity problems that are endemic in the financial services sector.

> **Market**
page 11

TALENT

We have an exceptional pool of talent within the business who are committed to our culture of excellence, incorporating a vital balance of early career talent and seasoned industry practitioners. We benchmark ourselves against the best companies in our sector and we challenge ourselves to be an awesome place to work.

> **Sustainability**
page 24

MANAGEMENT

Our management team is highly motivated, energetic and includes well-respected business leaders with significant experience in high-growth financial technology businesses. The Board of Directors is fully aligned with the Company's vision and is committed to the Group's strategy for long-term profitable growth.

> **Board of Directors**
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Our business



CLARETI

Clareti is a purpose-built, highly flexible and fully scalable platform for enterprise data integrity and control. Using Clareti, we have built a number of individual applications designed to address specific industry problems, providing enhanced value and greater marketability. The flexibility and scalability of Clareti also enables financial institutions to achieve long-term operational efficiencies. These characteristics give Clareti a competitive advantage over legacy vendors, whose systems are typically batch-based and incapable of adapting to today's range of data processing requirements without time-consuming and costly implementations.

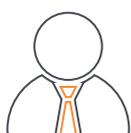
Clareti recognised revenue



INVESTMENT IN DEVELOPMENT

Gresham invests significantly in product development, which is delivered from our Innovation Labs in Bristol. We adopt an agile development strategy and we operate a continuous programme of enhancements. This provides competitive differentiation, promotes deep and loyal relationships and ensures customer success over the long term. Wherever possible, new applications are developed in partnership with fee paying early adopters, and our Innovation Labs are designed precisely for such collaboration. We also develop chargeable upgrades to the platform to drive growth in existing accounts.

By industry



DISTRIBUTION CHANNELS

Our global team of sales professionals sells directly to customers in our chosen geographies, principally the UK, Europe and North America. In addition, our bank and technology partners provide indirect sales channels and new opportunities. We are developing a global alliances network with like-minded firms to build global distribution channels and enhance our addressable market. Our sales activities are supported by a global marketing team based primarily in London, UK.



CHARGING MODEL

Gresham’s preferred charging model is to licence Clareti applications on a subscription basis, combining licensing and support and maintenance. This model generates higher levels of recurring revenue for the Group, which enhances long-term profitable growth and provides a platform for sound investment decisions. In some cases, a traditional fixed-term licence model is agreed. Software licences are typically limited by scope of use and volume limitations, aligning charges with the value being received by the customer, and providing opportunity for additional fees for higher usage or new use cases.

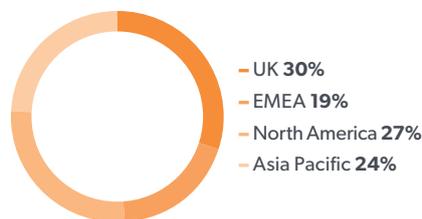
By charging model (excl. C24)



DEPLOYMENT

Our customer success team is made up of experienced professional services consultants and specialist support technicians. The team operates as a global function, which enables us to make optimal use of resources and expertise from all locations. Consulting is typically charged on a time and materials basis or at a fixed fee for a fixed scope of works. We provide bank-grade 24/7 support from our global hubs using a centralised service infrastructure. As well as supporting traditional on-premise deployment, our offering includes a fully hosted Clareti service, which enhances the value proposition and generates higher recurring revenues for Gresham.

By geography



BUSINESS PLATFORM

Our operations are underpinned by a global business platform and robust business processes, designed to enable and scale for rapid organic and inorganic growth whilst avoiding unnecessary administrative overheads. All of our global business functions are managed centrally from our headquarters in London, UK, including sales, marketing, professional services and customer support. Corporate and business support functions are also provided centrally via Group-wide IT systems.

Creating value

Our execution of the business model is generating profitable growth and building long-term shareholder value in line with Group strategy and no material business model changes are expected for the foreseeable future.

FOR INVESTORS

The model is designed to build long-term shareholder value. The Company has delivered significant capital growth over the last five years. In addition, cash generation is increasing and the Company is now commencing a progressive dividend.

180%

Total Shareholder Return achieved in the five years to 31 December 2017

FOR CUSTOMERS

Our solutions give customers control and certainty over data in an increasingly complex and regulatory environment. Our Clareti customer base continues to grow and this enables us to invest further and address additional industry problems.

80+

total customers

FOR EMPLOYEES

Successful execution of our business model will enable staff to be part of an engaging and rewarding business and will provide more opportunities to fulfil personal development targets and career aspirations at Gresham.

127

total employees

Leading edge solutions

Clareti solutions are designed and developed at our Innovation Labs in Bristol, UK. We exploit the latest advances in technology to build leading edge solutions.

Our development philosophy of delighting customers through delivering innovative technology and services underpins all our product advances. We aim to be the best and we have moved from challenger to champion in many of the markets the Clareti platform serves. We foster a culture of co-innovation with our customers and partners and, throughout 2017, this was epitomised through the many customer workshops held at our flagship Innovation Labs in Bristol, UK.

The Clareti platform goes through continuous change as we embrace innovation in the wider technology industry and respond to the complex functionality demands of our customers. The platform is functionally rich, very stable and highly scalable. We have demonstrated through many customer implementations our ability to respond quickly and confidently to changing market requirements, competitive pressures and new opportunities. The C24 technology assets are now embedded deeply into the platform and play a pivotal role in many implementations.

CTC processes billions of transactions annually across the customer base and we estimate that Clareti technology is used by over one thousand end users as an essential component of the day to day controls environment. Our vision of providing truly exceptional capabilities to make sense of vast volumes of fast moving, complex data has been realised in these customers.

Clareti-as-a-Service ("CaaS") is a stable offering and has delivered significant total cost of ownership reduction for our customers who have opted to deploy in Gresham's cloud. Our investments in the platform continue and we focus on new capabilities that provide benefit for both our CaaS and on-premise customers. All our new developments, whether for CaaS or on-premise, are designed to be "cloud ready" and many are "cloud native".

The Clareti portfolio continues to expand and, in 2017, we delivered new releases of Clareti ARM, Clareti Loan Control, Clareti Analytics and Clareti 24 Integration Objects against an innovation and market-driven agenda. We have a long track record of working with partner banks on innovation in cash management capabilities and we expect this to continue in 2018 with new capabilities to enhance Gresham's addressable market at the major transaction banks. Regulations such as MiFID II, OATS, CAT and H4 are all proving to be difficult for the financial services industry to respond to and we are adding new platform capabilities as part of our general enterprise data management solution to enable customers to address these regulatory challenges.

INNOVATION IN ACTION

RegTech

At a tier 1 North American bank the regulatory demands of OATS, H4 and MiFID I and II reporting obligations was a major cause of the compliance director's sleepless nights.

Producing a report of the bank's trading activity was easy but producing a report that is known to be timely, accurate and complete proved to be very difficult.

CTC was implemented to provide a database of verifiably timely, accurate and complete trading and position information that allows the bank to comply with its ongoing regulatory obligations.



INNOVATION IN ACTION

Financial Control

A major Asset Manager ("AM") had outsourced many of its financial controls to a third party service provider. That service provider is utilising a legacy controls infrastructure that is not only costly but fails to deliver against current day demands.

The AM has now on-boarded CTC for a wide range of controls, including nostro reconciliations. CTC has enabled the reduction of costs compared to the third party but is also providing real-time accurate and complete control across their operations.

Significant market opportunity

There is a growing addressable market for flexible and scalable technology that can resolve complex data processing challenges.

Regulatory drivers

The aftermath of the global financial crisis continues to drive the prevailing regulatory landscape in all of our core markets. Regulations such as MiFID II, OATS, CAT and H4 include complex data processing and control requirements, with the very real risk of regulatory fines and reputational damage in the event of breaches.

The scale of the data volumes involved, the complexities of the regulations and the ongoing globalisation of financial services are increasing the regulatory burden and cost of compliance. This is driving financial institutions to invest in modern and flexible RegTech solutions to ensure compliance can be reliably achieved with respect to current regulations and potential future regulations alike.

Clareti's inherent data management capabilities and scalability have enabled us to win three RegTech deals in the year and we expect to win further RegTech deals as we add regulatory specific capabilities to the platform. We are also seeing opportunities to collaborate with clients or consulting firms to build out the platform's capabilities for specific regulatory use cases.

Geographies

In North America, we are seeing strong market demand for our Clareti solutions and our investments in 2018 are aligned to this market opportunity. The main drivers we see include modernisation and cost reduction requirements, regulatory compliance and the need to address new financial products. North America represents our single largest addressable market and we are achieving good returns from our investments in 2016 and 2017. Six out of our 15 new CTC clients won in 2017 are USA or Canada based, with Clareti revenues from North America contributing 39% out of all Clareti revenues in the year.

The UK remains a core market and we have built a strong and loyal list of well-served customers. Around half of our Clareti customers are based in the UK, a number of which are regular visitors to our Innovation Labs in Bristol, UK or participants at our industry events. Market demand drivers are similar to those driving demand in North America. Our view is that the UK Senior Managers' Regime has resulted in more extensive approval processes as data compliance attracts greater attention from the relevant senior decision-makers.

In Europe, we believe financial institutions are often under-served by existing legacy vendors and we see significant opportunity to capitalise on this. We won three new CTC clients in Europe in the year including the important win in the Nordics announced in December 2017. We continue to track Brexit developments closely and are ready to react to potential of threats to our business (in particular to our emerging European business) arising from prevailing uncertainties or unfavourable trading conditions. However, whilst our Clareti business remains weighted towards the UK and North America as it currently is, we do not foresee any material adverse impact from any of the realistic outcomes of Brexit negotiations.

In Asia Pacific, we continue to see opportunity in the key financial hubs in Singapore, Hong Kong and Australia, but our current resources in this region remain limited. Consequently, our focus remains deepening our engagements with existing clients, building alliances with distribution partners and targeting specific opportunities as they arise.



“

The scale of the data volumes involved, the complexities of the regulations and the ongoing globalisation of financial services are increasing the regulatory burden and cost of compliance.

Route to long-term success

Our vision is to give financial institutions and their customers confidence in their data and certainty in their transaction processing. Our strategic plan is designed to drive profitable growth and create long-term shareholder value.

1

Build a high-margin, recurring revenue stream based on term licence sales, subscriptions and cloud services.

2

Create a valuable, global, enterprise financial technology business through Clareti-led growth and carefully selected acquisitions.

3

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

KEY ACHIEVEMENTS IN 2017

Our Clareti software sales grew to £8.2m (up 74%), with gross margins continuing to exceed 90%.

We won 15 new CTC software contracts in the year, contributing to our closing Clareti annualised recurring revenue of £5.7m (up 24%).

KEY ACHIEVEMENTS IN 2017

Our Clareti business performed strongly (up 48% to £11.1m), including an excellent contribution from our North America operations following investments in the region.

The acquisition of C24 Technologies in October 2016 was successfully integrated and is delivering the expected returns.

KEY ACHIEVEMENTS IN 2017

We have continued to focus our marketing activities and messaging on enterprise data integrity requirements.

We moved up seven places to 36th in the Chartis Global RiskTech100 2018 and were named Best Innovative Technology Provider at the HFM European Technology Awards 2017.

KEY PRIORITIES FOR 2018

Winning new Clareti software sales with significant recurring revenues attached remains our priority, and we are directing our efforts and investing in new sales and distribution capacity to enable this.

We are also developing strategies to build recurring services revenues.

KEY PRIORITIES FOR 2018

We will increase our sales and distribution capacity, particularly in North America, in order to target accelerated Clareti growth. This will be supported with new marketing initiatives.

We will continue to actively pursue appropriate acquisition opportunities for growth.

KEY PRIORITIES FOR 2018

We will develop our marketing strategy, brand management and communications programmes globally, supported by the appointment of a Chief Marketing Officer and other marketing investments.

We will improve on our position in the Global RiskTech100 register and seek other independent third party attestations.

4

Focus our product investment and sales efforts on Clareti solutions.

5

Leverage Clareti and Clareti-as-a-Service platform to bring new “control” applications to market.

6

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

KEY ACHIEVEMENTS IN 2017

We continued to focus our product development and sales efforts on Clareti. We have released numerous Clareti enhancements in the year including Clareti Analytics as a chargeable add-on.

We expanded our sales capacity in North America with senior sales professionals and a new alliances director.

KEY ACHIEVEMENTS IN 2017

We won our first two regulatory control projects using Clareti in North America.

We launched Clareti Analytics which is driving incremental value for our installed base and is providing upsell opportunities.

KEY ACHIEVEMENTS IN 2017

Our declining non-Clareti revenues have been managed effectively and with limited overheads.

Non-Clareti revenues totalled £10.6m (up 9%) which has supported investments in Clareti.

KEY PRIORITIES FOR 2018

Significant investment in sales and distribution capacity is to continue, particularly in the US where there is significant potential for growth.

We will focus our product development activities on enhancements and new Clareti applications designed to address data integrity issues. We will expand marketing resources to support sales.

KEY PRIORITIES FOR 2018

We will work closely with new and existing clients to identify potential new use cases for Clareti. Where appropriate, we will collaborate in joint development projects with strategic partners.

Our marketing investments will help us focus our efforts for optimal return.

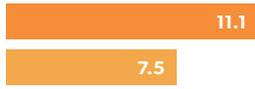
KEY PRIORITIES FOR 2018

The priority remains to manage the inevitable non-Clareti portfolio run-off profitably.

We will execute efficient contract management and seek to mitigate accelerated run-off risks.

Measuring our progress

The following key performance indicators (“KPIs”) have been selected as the most appropriate measures of strategy execution for the Group.

FINANCIAL			
<p>Clareti revenue</p> <p>£11.1m</p> <p>+48%</p> <p>2017  11.1</p> <p>2016  7.5</p> <p>Link to strategy</p> <p>1 2 3 4 5 6</p> <p>Revenue from customers of our Clareti business. This includes £1.2m (2016: £0.3m) from C24 Technologies following the acquisition in October 2016.</p>	<p>Clareti annualised recurring revenue (“ARR”)</p> <p>£5.7m</p> <p>+24%</p> <p>2017  5.7</p> <p>2016  4.6</p> <p>Link to strategy</p> <p>1 2 3 4 5 6</p> <p>Annually recurring revenue from Clareti customer contracts in force as at 31 December 2017 that we have a high expectation will renew in the following year. This is a key measure of our Group’s visibility of forward Clareti revenues. This includes £1.2m (2016: £1.2m) from C24 Technologies following the acquisition in October 2016.</p>	<p>Group revenue</p> <p>£21.7m</p> <p>+26%</p> <p>2017  21.7</p> <p>2016  17.2</p> <p>Link to strategy</p> <p>1 2 3 4 5 6</p> <p>Total revenue from customers of our Clareti business and from our Contracting Services, Partner and Legacy businesses.</p>	<p>Group annualised recurring revenue (“ARR”)</p> <p>£9.4m</p> <p>-14%</p> <p>2017  9.4</p> <p>2016  10.9</p> <p>Link to strategy</p> <p>1 2 3 4 5 6</p> <p>Total of our Clareti annually recurring revenues and the annually recurring revenues from our Partner and Legacy customer contracts in force as at 31 December 2017 that we have a high expectation will renew in the following year. The non-Clareti aspect of our Group annualised recurring revenues is £3.7m as at 31 December 2017 (2016: £6.3m), down 41% following the planned exit of a lower margin (50%) legacy partner arrangement.</p>

STRATEGY					
<p>1</p> <p>Build a high-margin, recurring revenue stream based on term licence sales, subscriptions and cloud services.</p>	<p>2</p> <p>Create a valuable, global, enterprise financial technology business through Clareti-led growth and carefully selected acquisitions.</p>	<p>3</p> <p>Establish Clareti as the enterprise data integrity platform “category leader”.</p>	<p>4</p> <p>Focus our product investment and sales efforts on Clareti solutions.</p>	<p>5</p> <p>Leverage Clareti and Clareti-as-a-Service platform to bring new “control” applications to market.</p>	<p>6</p> <p>Retain strategic non-Clareti revenues to support Clareti-led growth.</p>

Adjusted EBITDA⁽¹⁾

£5.1m

+34%



Link to strategy



Group earnings before interest, tax, depreciation and amortisation and further adjusted for share-based payment charges and exceptional items. This is a key measure of our effectiveness in converting increased revenue to increased earnings.

Profit before tax

£3.1m

+41%



Link to strategy



In addition to adjusted EBITDA, this earnings-based KPI provides a further measure of our performance in delivering profitable growth at a statutory reporting level.

Adjusted diluted earnings per share⁽¹⁾

6.5p

+38%



Link to strategy



Earnings per individual share on a diluted and adjusted basis, which provides a measure of our performance in delivering profitable growth taking into account changes in our capital structure and issued equity over time. Adjustments are made for share-based payment charges, exceptional items and amortisation from acquired intangible assets.

Net cash

£8.5m

+18%



Link to strategy



The Group's aggregate net cash balance as at 31 December 2017 including bank deposits after operational, investing and financing activities during the financial year.

NON-FINANCIAL

In addition, the Group monitors certain non-financial performance indicators at an operational level, including the number of new Clareti sales in the year, customer renewals, average debtor days, consultant utilisation, Net Promoter Scores and the Great Place to Work[®] annual trust index score. However, none of these are currently considered to be individually appropriate as a measure of overall strategy execution success. All KPIs are reviewed annually and this includes consideration of appropriate non-financial KPIs.

(1) The adjustments to earnings per share and EBITDA have been provided in order to present the underlying performance of the business on a comparable basis.

Principal risks and uncertainties

Risk management

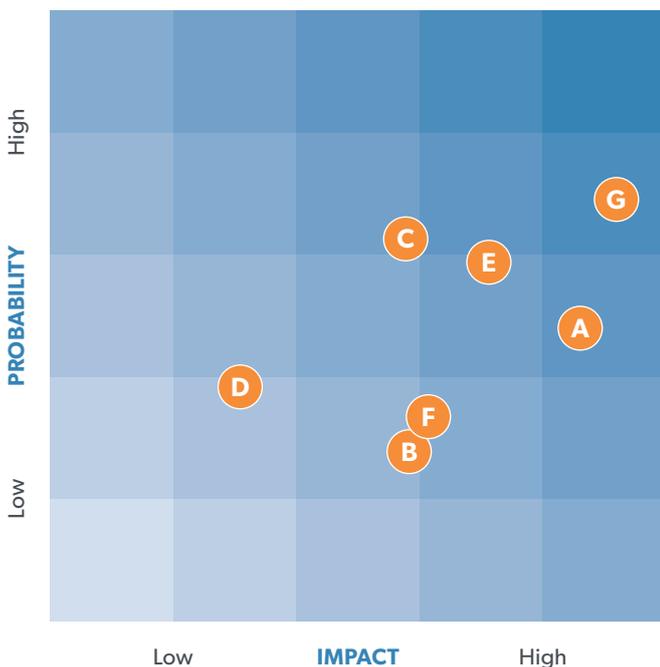
Our aim is to recognise and address the key risks and uncertainties facing Gresham at all levels of our business.

There are a number of risk factors that could adversely affect the Group’s execution of its strategic plan and, more generally, the Group’s operations, business model, financial results, future performance, solvency, or the value or liquidity of its equities. The Board is committed to addressing these risks by implementing systems for effective risk management and internal control. A report on the Board’s review of the effectiveness of the Group’s risk management and internal control systems can be found in the audit committee’s report on page 33.

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

Risk heat map

- A** Failure to win new Clareti business in line with plan
- B** Misdirected product, operational or strategic investments
- C** Product and service delivery failures
- D** Accelerated decline in non-Clareti revenues
- E** Economic, international trade and market conditions
- F** People risks
- G** IP, data and cyber risks



FAILURE TO WIN NEW CLARETI BUSINESS IN LINE WITH PLAN

Central to our strategic growth plan is winning new Clareti business. Failure to do so would directly impact our achievement of overall objectives or lengthen the period taken to achieve them. Specifically, failure to win new Clareti contracts early enough in the year would jeopardise our ability to deliver the implementations and recognise the associated revenues in the year.

CHANGE IN RISK



We continue to see strong market demand for Clareti solutions, but the risks associated with timing, type, mix and quantum of revenues remain unchanged as these factors are largely driven by the customers’ requirements and budgeting processes. We are growing sales capacity, but return on investment takes time due to long and unpredictable sales cycles.

MITIGATION

We are investing significantly in Clareti sales, marketing and distribution capacity to build greater pipeline, win new Clareti revenues faster and achieve annual growth targets. We are concentrating new sales investments in the UK and the US, where we see the greatest opportunity. We continue to expand the Clareti offering to extend market reach. Investment decisions are reviewed at least quarterly.

MISDIRECTED PRODUCT, OPERATIONAL OR STRATEGIC INVESTMENTS

We are investing in product development and operational requirements to support Clareti-led growth. Strategic investments such as acquisitions present opportunity for accelerated growth. Failing to achieve meaningful returns on investments would hinder the Group's strategic growth plan and potentially jeopardise the Group's position in the market and its prospects.

CHANGE IN RISK



Stable

Building out a portfolio of Clareti products increases the risk of product development activities, sales execution and market demand becoming misaligned. In addition, pursuing acquisitions and other strategic investments for inorganic growth are inherently speculative to a greater or lesser extent, and can be costly and time-consuming for management.

MITIGATION

The management team has been strengthened and centralised further, which provides greater control and efficiency to operations. Strong communication lines between the relevant stakeholders are ensured through regular formal meetings and monthly reporting. The Board reviews and challenges all strategic investments.

PRODUCT AND SERVICE DELIVERY FAILURES

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

CHANGE IN RISK



Increasing risk

The risks of servicing financial institutions remain substantial. We are undertaking increasingly complex and challenging projects due to the increasing number and varied nature of the projects. Risks are generally greater with new clients in the early phases of projects. Formal RFP processes remain the norm, which provide clarity as to requirements and expectations.

MITIGATION

Gresham mitigates inherent product and service risks through robust quality assurance and project governance processes. Project risks are mitigated by implementing strong project management processes (including regular meetings, change control and reporting), to ensure timelines, costs and requirements are agreed and managed throughout.

ACCELERATED DECLINE IN NON-CLARETI REVENUES

Non-Clareti revenues provide a strong contribution to revenues, earnings, and cashflow and are key to short-term financial success and ongoing investments in Clareti. We have planned for the gradual decline of non-Clareti revenues but an unexpected or accelerated decline could have an immediate and significant impact on financial KPIs.

CHANGE IN RISK



Stable

Declining revenues from non-Clareti solutions continue to offset Clareti growth. The long-term decline of non-Clareti revenues is expected to continue to eventual run-off and the rate of decline is determined by outside factors. The decline of non-Clareti revenues is gradually becoming less material to Group performance given the growth in Clareti revenues.

MITIGATION

Mitigation against short-term impact is provided through the natural spread of non-Clareti products, geographies and customers. Our forecasts prudently allow for attrition in non-Clareti revenues based on historical performance and customer plans, where known.

Principal risks and uncertainties continued

**ECONOMIC,
INTERNATIONAL TRADE
AND MARKET CONDITIONS**

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

CHANGE IN RISK**Stable**

The ongoing Brexit developments and the US policy statements on international trade continue to create uncertainty regarding future trading arrangements between the UK and both Europe and the USA respectively. As a result, Gresham may experience volatile market conditions in those geographies. Other risks in this category are generally considered to be stable.

MITIGATION

Gresham is monitoring political developments and will seek to mitigate emerging risks where possible. Gresham's high-margin recurring revenues provide a level of protection against volatile economic or market conditions. Gresham's policy of ongoing product development helps Gresham to maintain its competitive advantage.

PEOPLE RISKS

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

CHANGE IN RISK**Stable**

People risks are currently considered to be stable. Rapid growth presents opportunities for personal development for key staff and engages the workforce generally. New senior hires have been added throughout the business (including HR, sales and marketing) which mitigates certain key person risks.

MITIGATION

Key staff are identified through talent assessments and retention plans are implemented, including through long-term incentives aligned to shareholder interests. Security and access control systems, internal governance processes and compliance procedures are in place to mitigate conduct risks.

IP, DATA AND CYBER RISKS

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

CHANGE IN RISK**Stable**

There have been no specific issues arising and our view is that these risks are stable and manageable. However, it is recognised that certain risks in this category may increase where IP is inherited through strategic acquisition.

MITIGATION

We implement information security processes covering internal and client facing IT systems. These processes are overseen by Gresham's information security committee, which reports formally to the Board at least every six months.

15 new CTC customers



Ian Manocha

Introduction

The Group delivered another strong performance in 2017, once again underpinned by strong organic revenue growth from Clareti solutions. We won 15 new CTC customers and grew licence revenues from our existing Clareti base. In addition, during the year we successfully integrated the C24 Technologies business and grew the acquired annuity base. As a result, annualised recurring revenue from Clareti has grown 24% year on year. We now have more than 80 Clareti customers across financial services and global markets. In addition, many corporates are using Clareti technology in their business every day via our bank white labelling partners.

In 2016 and through 2017, we invested in new sales resources to focus on continental European sales and to expand our initial footprint in the United States. We now have experienced new business sales teams in the UK and Europe and in the US and it was pleasing to see strong success in those geographies.

UK and Europe

2017 started strongly for our new European office with an important new customer win, a regional bank in central Europe. The initial deployments are in support of the bank's treasury function and capital markets business covering foreign exchange, over-the-counter trading, exchange traded derivatives and inter-company transactions. Our European team also signed the Swiss subsidiary of a major Russian bank and finished the year with an important contract with a major bank in the Nordics to implement a strategic data integrity and control framework in its wholesale banking operations. All three contracts will see the deployment of CTC to replace local processes, legacy systems and user developed applications, with Clareti Adapters being used to integrate complex financial messaging data flows. All three clients selected CTC following robust tender processes where Gresham was pitched head-to-head with incumbents and other competitors.

Our UK team also had a positive year winning an important project with a large global asset manager to replace a legacy vendor reconciliation system. In common with many of our customer contracts, we also agreed

a framework for licence growth over time as more use cases are identified across their business. We also won two further UK-based hedge fund clients during the year and our recent recognition for being the "Most Innovative Technology Firm" in hedge funds by HFM in both their European and US awards is further evidence that our offering for alternative investment managers is particularly strong. Winning repeatable business in targeted industry niches is important for us to scale efficiently and it was pleasing to secure our second win in the energy and commodities market.

North America

During 2017, we were pleased to see the rewards coming through from our investment into the North American market and we continue to be positive about the market drivers and longer-term opportunity. In the US and Canada, financial firms need to transparently prove the integrity of the data that drives their regulatory reporting and risk management processes and the Clareti platform is ideally suited to these complex use cases.

One of Canada's largest banks selected CTC to provide assurance of their regulatory reporting of collateral across all markets and all asset classes. The system will also be extended to replace existing manually intensive reconciliation and control processes in their securities division. This customer is also deploying Clareti Analytics to provide deeper management insight into their data control operations.

In the second half of the year, the US capital markets division of one of Asia's largest financial services firms selected CTC to replace manual intensive data integrity checks and enable senior management to certify and be accountable for the quality of trading related data as it moves throughout the organisation.

A global sell-side bank selected the Clareti platform to support the implementation of a modern global regulatory control framework and prove the integrity of regulatory data and associated reporting processes. The initial implementation is within the customer's US capital markets business with the potential for deployment across other jurisdictions in the future.

Whilst regulatory use cases have been behind many of our new North America sales, there is ongoing demand for traditional reconciliation systems and the US market in particular is heavily dominated by inflexible old vendor systems.

In a relative short period, North America has grown to represent 25% of Clareti ARR and is also now pulling through demand for implementation services.

Asia Pacific

Our Asia Pacific focus in 2017 was primarily to develop our major accounts in this region. Our relationship with Australia and New Zealand Banking Group ("ANZ") continues to grow and become increasingly strategic. Our long-standing relationship with ANZ was initiated in 2011 when Gresham was selected to build a bank-to-corporate receivable matching service for use by ANZ's institutional corporates, as a result of which ANZ became an early adopter of CTC.

Operational review continued

Asia Pacific continued

In 2014, ANZ deployed CTC in its global markets business to enhance its pre and post trade controls. During 2017, we helped ANZ expand its portfolio of corporate cash management offerings with an innovative solution that brings the power of the Clareti platform to its mid-market business customers. This is an excellent example of an established bank partnering with an agile FinTech provider to deliver solutions rapidly. The relationship continues to deliver a steady beat-rate of professional service revenues, a growing Clareti subscription and further opportunities for 2018 and beyond.

In addition to our major account management activities, we were pleased to sign a further project licence with one of Australia's leading wealth management groups to use CTC to support a multi-year systems migration programme.

Partnering and alliances

We believe partners will increasingly drive incremental business and we invested during 2017 to build a global programme which we intend to scale in 2018.

Our long-standing white label agreements with two global banks in accounts receivables management continue to deliver a steadily growing recurring revenue stream. Our first US Clareti partner, a major financial services organisation which selected CTC as a white labelled offering in 2014 to upsell its asset management clients, won a third and fourth end customer in the US during the year.

The success of Clareti technology in the main financial markets has also come to the attention of the systems integrators and consulting firms. During the year, we signed multiple partner agreements with firms to introduce and/or implement our solutions and have run boot camp training and are building accreditation programmes. One major systems integrator has now delivered two successful projects and is embarking on its third.

In December, a leading provider of capital markets data, trade matching and regulatory reporting services to the global securities market, selected CTC to deliver a new regulatory service to its clients, for which a marketing launch is being planned. In 2018 we will continue to scale up our introducer, delivery partner and white label partnerships, and we will also intend to develop a reseller channel into the key Asian financial markets for CTC and C24.

Customer success and delivery

We aim to provide our customers with a differentiated experience compared to the long-established enterprise software players and have been scaling up our global delivery and customer support operation in line with business growth.

Our consulting operations work closely with the sales function to ensure that we secure rapid implementation success and reference ability across the customer base and to ensure that consulting is profitable on a standalone basis. Throughout 2017, we typically had around a dozen implementation projects and several pre-sale proofs of concept underway at any given point in time.

We offer customers a cloud or on-premise deployment option, although the majority still select to run their systems in-house. This flexibility means that we continue to win business against cloud-only SAAS competitors. During the year, one of our existing US hedge fund clients chose to upgrade their subscription and move to a fully managed

Clareti-as-a-Service (CaaS) cloud deployment and one of our larger insurance customers went live on CaaS delivering a very strong ROI back to the business.

In light of our success in North America, we are now investing into local delivery resources through secondments and full-time staff as well as partnerships.

Clareti product and innovation

During 2017, our Innovation Labs in Bristol hosted many client and prospect visits. Our ongoing commitment to innovation, our collaborative approach to working with customers, and our agile, high quality, software development processes are seen to be strong aspects of our overall value proposition in the market.

Clareti Transaction Control continues to be our flagship offering and is widely regarded as the best enterprise solution on the market. Its modern architecture and innovative features means we fare very well with prospects running formal evaluations and robust tender processes. During 2017, we delivered enhancements to the "on-boarding" data ingestion capability as well as improvements to ease of use and ease of maintenance. We have been building more sophisticated exception management capabilities and developing the platform's use of automation, natural language processing and machine learning technology.

During 2017, the C24 technology acquired in late 2016 was integrated into the Clareti platform and has been sold and deployed multiple times as part of new CTC projects in the form of Clareti Adapters, alongside several standalone sales. The C24 technology is delivering the expected benefits and provides competitive differentiation with prospects with significant and/or complex message transformation requirements.

In the first part of the year, we launched Clareti Analytics as an enhanced reporting and data visualisation capability for management. This has proved to be a strong sales differentiator and a key part of several deals in the second half of the year. We have also secured two up-sells into the existing CTC installed base.

Our joint venture with Mount Street Loan Solutions LLP, one of Europe's leading commercial real estate servicers, to develop Clareti Loan Control ("CLC") has now delivered a market ready offering, and whilst no incremental sales were achieved in 2017, there is potential for additional revenues as Mount Street increases its usage of CLC and, more widely, we believe that there is a significant market opportunity to sell CLC into financial institutions.

Other business

The Clareti business is now larger than the Group's entire legacy licensing and services portfolio and our dependency on these various older businesses is now much reduced. Nevertheless, we continue to manage the portfolio carefully to optimise our returns. In 2017, our legacy portfolio performed broadly in line with our business plan. The Gresham owned EDT and VME software businesses remained relatively stable throughout the year and operated at high margins. Our third party software partner business was partially exited, which was planned for, and resulted in a lower contracted baseline. This reduction was offset by an increase in our lower margin contracting business in Australia.

Ian Manocha Chief Executive

12 March 2018

In FY2017 Clareti grew 48%



Rob Grubb

In the year ending 31 December 2017 ("FY2017") our Clareti business grew 48% to become more than half of our business on all revenue measures, and became break-even and cash generative as a standalone business. This achievement, coupled with the ongoing stability of our existing cash-strong, non-Clareti businesses which were up 4% year on year, meant we recorded strong year-on-year increases across all Group revenue, earnings and cash metrics.

In the last three years, we have achieved compound annual growth rates ("CAGR") of 19% in Group revenues, 59% in adjusted earnings per share (adjusted and fully diluted) and become free cashflow generative as our investments in Clareti are being realised and generate higher margin revenues which continue to grow strongly.

Earnings per share is calculated as fully diluted and adjusted to add back share-based payment charges, exceptional items and amortisation from acquired intangible assets.

Free cashflow is calculated as cash inflow arising from operating activities (excluding working capital impact) less net cashflows associated with acquiring and disposing of tangible and intangible fixed assets.

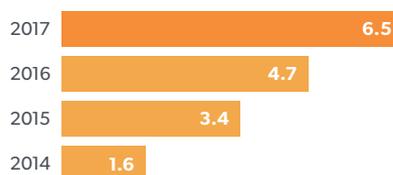
Revenues

Our income is analysed between Clareti revenues and Other revenues. Clareti includes Clareti Transaction Control, Clareti Accounts Receivable Management, Clareti Loan Control and Clareti 24 Integration Objects. Other solutions include: Virtual Machine Environment ("VME"), Enterprise Distribute ("EDT"), and various other individual legacy software licensing and support arrangements, in addition to partner products encompassing CashFac's Virtual Bank Technology® and Wall Street Systems' treasury solutions.

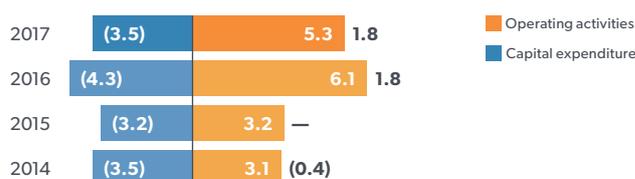
Group revenues (£m)



Adjusted earnings per share (p)



Free cashflow (£m)



			2017 £m	2016 £m	Variance £m	% £m
Clareti solutions	Recurring		5.3	2.9	2.4	83%
	Non-recurring		2.9	1.8	1.1	61%
	Total	KPI	11.1	7.5	3.6	48%
Other solutions	Software – Partners		3.1	4.0	(0.9)	(23%)
	Software – Own solutions		2.0	2.3	(0.3)	(13%)
	Services		5.5	3.4	2.1	62%
Total		10.6	9.7	0.9	9%	
Total			21.7	17.2	4.5	26%
Annualised recurring revenue as at 31 December 2017	Clareti	KPI	5.7	4.6	1.1	24%
	Other		3.7	6.3	(2.6)	(41%)
Total		KPI	9.4	10.9	(1.5)	(14%)

Financial review continued

Revenues continued

Clareti Solutions

The Clareti business recorded another strong year of growth with Clareti revenues rising £3.6m (48%) to £11.1m following the increases of 42% in FY2016 and 51% in FY2015 as the benefits of our previous investments in product, sales & marketing, delivery and associated infrastructure provide a strong return on investment. Clareti revenues now exceed the Group's revenues from all other products and service lines combined. We continue to plan and invest for similar levels of growth in the financial year 2018 and beyond.

The Group continues with its strategic aim to focus revenue opportunities on annuity-based models to increase recurring revenue and visibility of future revenues that are either contracted or generally expected to renew on an annual basis. We made strong progress against this aim, with recognised Clareti recurring revenues increasing £2.4m (83%) to £5.3m in FY2017 compared to the previous period. Excluding the C24 acquisition in October 2016, this increase year on year was £1.5m (58%). Our annualised recurring Clareti revenues at 31 December 2017 totalled £5.7m, up £1.1m (24%) compared to 31 December 2016 due to the addition of annuity revenues from customer wins in the year and existing customers' increased usage.

Non-recurring Clareti software revenues (initial licence fees) were up 61% in FY2017 as we were able to deliver more and larger deals from our enlarged sales team and marketing investments. The Group has continued with the policy adopted in the prior year of granting fixed-term licence grants (typically three to five years) rather than perpetual licences for customers for whom subscription licensing is not appropriate. This has opened up charging for additional future periods of use for these customers beyond the fixed licence term of the contract with the first of these additional chargeable periods beginning in 2020. To date,

we have achieved initial licence fees under term agreements totalling £4.0m that we anticipate will repeat from 2020 onwards either as repeat upfront fees or additional annuity revenues of an equivalent £0.9m per annum; this is in addition to our stated annualised recurring revenue as at 31 December 2017 which incorporates annually recurring revenues only.

Clareti services revenues were up by 4% and £0.1m to £2.9m, continuing the high levels of realisation and utilisation seen in the prior year as our services resources provided new and existing customers with consulting services to enable and increase Clareti use within their organisations.

Other Solutions

The Group's Other Solutions grew by £0.9m (9%) to £10.6m in FY2017 although within this software revenues saw a decline and services a sharp increase as the shape of the portfolio changed markedly year on year.

Non-Clareti software revenues from partners are down £0.9m (23%) to £3.1m as one of our legacy partner relationships exited as planned in FY2017. This arrangement had a net contribution of 50%.

Non-Clareti software revenues from our other legacy products decreased as planned, as customers moved off from ageing platforms to newer technologies. This level of attrition is planned to persist as these technology shifts continue although the longevity of these very old legacy products continues to surpass our expectations.

Non-Clareti services are mostly (~90%) in respect of tactical contracting services provided to a strategically important Australian banking partner that generate a direct net contribution to the Group of approximately 13%. Whilst these contracting services are difficult to forecast, we anticipate these low-margin revenues with this strategically important partner will continue for the foreseeable future.

Earnings

Operating performance is analysed excluding exceptional items, share option charges and amortisation from acquired intangible assets, which is consistent with the way in which the Board reviews the financial results of the Group.

			2017	2016	Variance	%
Gross margin		£m	18.4	14.2	4.2	30%
Gross margin		%	85	83	2	2%
Adjusted EBITDA	KPI	£m	5.1	3.8	1.3	34%
Adjusted EBITDA	KPI	%	24	22	2	9%
Statutory profit after tax		£m	3.8	2.6	1.2	46%
Adjusted Diluted EPS	KPI	pence	6.5	4.7	1.8	38%

The Group's gross margin rose to 85% in FY2017 from the 83% in FY2016, driven in whole by the additional contribution from increased Clareti revenue.

Our gross margin continues to be affected by the split of contracting service revenues that are provided by third party contractors (which is recorded in cost of sales) and individuals we bring on our payroll as fixed-term employees (which is recorded in administration costs). Excluding the impact of the differences of these split in contractor and staff costs year on year, our gross margin still rose by 2% to 75% in FY2017 from 73% in FY2016.

The Group delivered another strong increase in earnings with adjusted EBITDA rising by 34% and £1.3m to £5.1m, as the increased gross margin delivered by higher Clareti revenues was in part offset by planned investments throughout the Group's operations and, in particular, in sales and marketing expenditure in both EMEA and North America.

We also saw less development cost capitalised and a larger amortisation charge as planned which is a sign of our emerging product portfolio and a trend we anticipate will continue. The net impact of development capitalisation and amortisation to the Group Income Statement in FY2017 was £2.2m (FY2016: £2.9m).

The vast majority (95% plus) of our Group's spend on staff, buildings and overheads continues to be in respect of our Clareti business.

Exceptional items

During the year the Group incurred exceptional costs completing the integration of C24 Technologies Limited; exceptional legal costs associated with the establishment of our joint venture and all-staff incentive scheme; and exceptional recruitment costs associated with the recruitment of a new CFO. These costs totalled £149,000 and are offset by exceptional income arising from the fair value adjustment of the C24 contingent consideration of £59,000, resulting in a net exceptional charge of £90,000 (2016: £275,000).

Taxation

For the year ended 31 December 2017, the Group has recorded a net tax credit of £0.7m (2016: £0.4m) which, as in prior years, is primarily as a result of research and development enhanced relief available for our UK development activities, offset with taxation payable both in the UK and overseas in respect of our reselling and servicing operations. The Group did not surrender losses for R&D tax credit cash refund and losses have instead been directly utilised at full value against current and future UK taxable profits as was the case last year.

Cashflow

	2017 £m	2016 £m	Variance	%	
Operating cashflow excluding working capital	5.5	4.3	1.2	28%	
Movement in working capital	(0.3)	1.8	(2.1)	(117%)	
Capital expenditure – development costs	(3.2)	(3.8)	0.6	16%	
Capital expenditure – other	(0.3)	(0.5)	0.2	40%	
Placing and acquisition	(0.7)	0.4	(1.1)	(275%)	
Other	0.1	0.3	(0.2)	(67%)	
Net increase in cash	1.1	2.5	(1.4)	(56%)	
Cash	KPI	8.5	7.2	1.3	18%
Cash and cash equivalents	8.3	7.2	1.1	15%	
Bank deposits	0.2	—	0.2	n/a	

The Group's financial position remained strong at 31 December 2017 with cash of £8.5m and no debt (2016: £7.2m and no debt). This increase in cash was due to £2.2m arising from operations less capital expenditure (2016: £0.5m) as the Group's increasing Clareti revenues and earnings were offset by a lower capital expenditure amount as we spent less on development due to releasing temporary development resources engaged in FY2016, and less development spend has been capitalised as certain parts of our Clareti portfolio begin to mature. Working capital remained stable, as large prior year working capital differences reversed in FY2017 but were offset by further cash inflows from new customers wins.

The net operating and capital expenditure cash inflow is offset by £0.7m payable as part of the October 2016 C24 acquisition (2016: inflow of £0.4m being consideration payable net of the associated placing).

With increasing Clareti sales from the growing annuity base and new customer wins, coupled with tight cost control of planned investments, we expect the cash generation capacity of the business to continue and are looking at opportunities to best utilise the excess cash we have, either through bank deposits or to support our M&A ambitions.

Financial outlook

The Group continues to deliver consistent year-on-year Clareti growth as our planned investments in product, sales and marketing, delivery and associated infrastructure over the previous prior seven years are yielding a strong return.

Our non-Clareti parts of our business that have provided good quality, stable cashflow to invest in Clareti during the previous seven years are decreasing as customers are moving to newer or alternative solutions as planned. Whilst we anticipate these revenues will decline in the long term, there remains nothing to suggest these will drop off significantly in the short term beyond the planned partner exit that occurred in FY2017. These revenues as a portfolio continue to exceed our expectations despite our strategic focus on Clareti.

Overall our Clareti growth is significant compared to the rate of decline in our legacy business and as a combined Group we are achieving higher revenues, higher margins and earnings and strong cash generation as Clareti and its portfolio of applications continues to grow and the non-Clareti elements of our business become less material. We aim to continue this program of expansion and have planned investments for FY2018 and beyond across all aspects of our Group to drive growth but remain cognisant of the need to generate incremental earnings and cash generation to remain an exciting proposition for investors, customers, staff and partners.

Rob Grubb Chief Financial Officer

12 March 2018

Valued, engaging, responsible employer

Being a responsible business is not a ‘bolt on activity’, it is at the heart of what we believe in.



OUR PEOPLE



COMMUNITY



CHARITY



ENVIRONMENT



OUR POLICIES

PEOPLE



Great Place to Work®

The Group engages with the Great Place to Work® programme as a mechanism for measuring, on an annual basis, the Group’s performance as an employer, as perceived by staff. This has proved to be a very useful tool in gathering collective feedback and guiding investment decisions, and several new initiatives have been implemented as a result of this.

Our aim is to be a highly valued, engaging and responsible employer across the Group, where people are encouraged to excel. We benchmark ourselves against the best companies in our sector and we challenge ourselves to be an awesome place to work.

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

Attracting, retaining and developing our talent

We implement Group-wide strategies designed to attract, retain and develop our people that reflect the local geographic and industry economic climate. These strategies include competitive terms and conditions, a defined contribution pension scheme, consideration of family and personal needs, training and career development coaching, and a wide range of other flexible benefits designed to reflect the Group’s culture and values. Our performance-related pay structures include an annual bonus scheme, which is linked to personal objectives and wider team and Group objectives. The annual bonus scheme is complemented by our all-staff share scheme, established in 2017, which is designed to align employee incentives with shareholder interests through the award of shares.

Our hiring model is based on creating an agile, highly motivated and collaborative international workforce. Our strength comes from collaboration between seasoned professionals with deep client industry experience and some of the brightest technology talent on the market.

We also “hire for attitude”, placing great importance on our values, effective team working, and customer success.

PEOPLE continued



Graduate and apprenticeship programme

Our early in career entry programmes are one of the ways that we attract promising new colleagues into the business. Our graduate programmes within our professional services and development teams have been running for several years with minimal attrition. Within our IT support function, we have been successfully supporting IT apprentices. In 2017, we introduced an industrial placement programme which has proved successful and we are looking to expand this further during 2018.

Engaging with our people

Employees are invited to attend regular meetings within individual segments throughout the Group, in addition to regular Group-wide communications. Performance appraisals happen formally at mid and full year, but we encourage ongoing dialogue throughout the year to ensure that employees are getting sufficient support from the Group (including training needs) in order to be successful in their roles.

We believe that it is very important to achieve high levels of trust between individuals within the Group as this promotes high levels of staff engagement and helps to ensure that the working environment is pleasant, healthy and sustainable.

“

Our hiring model is based on creating an agile, highly motivated and collaborative international workforce.

COMMUNITY

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



We are proud to be Business Class members of The Prince’s Responsible Business Network, through our partnership with Business In The Community (“BITC”). Initiatives and activities include:

- Working with computer science teachers to help their development and understanding of real-work application of IT through 1-2-1 coaching and workplace visits.
- Teacher workshops supported by our employees to help to embed sector employability skills into the curriculum.
- Developing young people’s employability skills through Dragons’ Den type activities.
- Raising awareness of career pathways in our sector through delivering “get into the sector” programmes in school and raising awareness of the career pathways.
- Mentoring programmes for girls undertaking their Computer Science GCSE.

We also proudly sponsor OCRFC – a youth rugby team in London that coaches and mentors disadvantaged young men. We share much of our ethos with that of a rugby team – doing the hard yards, respect, discipline, teamwork and enjoying the game.

CHARITY

We work with charities to responsibly recycle our old, used IT equipment. One of these charities is Jamie’s Computers which refurbishes the equipment and uses it to provide work experience and hands-on training to hard-to-reach groups. Its aim is to help improve skills and increase employability. Anything that cannot be reused is recycled responsibly and all equipment is data destructed and certificated.

Each quarter we donate £1 to three local charities for each support call made into our customer support centres. These three charities are chosen by ballot by our global teams and often have a personal connection with employees. We are pleased to have been able to support charities such as BeyondBlue, an Australian charity offering support and raising awareness of mental health, and SMART, a North American charity started by a doctor whose son suffers from spinal muscular atrophy, known personally by one of our team.

Sustainability continued

ENVIRONMENT

Policy statement

Whilst the nature of our activities is such that the Group does not have a significant impact on the environment relative to other industries, we recognise that we have a duty to manage our business affairs and operations in a sustainable and responsible manner. This includes minimising the impact of our activities on the environment and to supporting environmental initiatives relevant to our industry. To achieve this, Gresham's environmental strategy consists of the following:

- minimising waste;
- minimising toxic emissions;
- actively promoting recycling in all of its locations;
- meet or exceed all applicable environmental legislation that relates to Gresham;
- support, adopt and/or promote industry initiatives designed to address environmental issues specific to Gresham's sector;
- where practical, seeking to purchase products that uphold industry leading environmental standards rather than ones that do not; and
- encouraging the adoption of similar principles by its suppliers.



We recognise that we have a duty to manage our business affairs and operations in a sustainable and responsible manner.

Carbon emissions

This section includes Gresham's mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("Regulations").

Gresham's reporting year is the same as its fiscal year, being the year ended 31 December 2017. This greenhouse gas reporting year has been established to align with our financial reporting year.

Gresham reports emissions data using an operational control approach to define organisational boundary, which meets the definitional requirements of the Regulations in respect of those emissions for which it is responsible. Gresham has reported on all material emission sources which it deems itself to be responsible for. These sources align with Gresham's operational control and financial control boundaries. Gresham does not have responsibility for any emission sources that are beyond the boundary of Gresham's operational control. For example, business travel other than by car (including, for example, commercial flights or railways) and fully managed offices are not within Gresham's operational control and, therefore, are not considered to be its responsibility.

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

As regards global greenhouse gas emissions data, for the year ended 31 December 2017:

Emissions from	31 December 2017	31 December 2016
Electricity, heat, steam and cooling purchased for own use – tonnes of CO ₂ e	85	118
Group's chosen intensity measurement		
Emissions reported above normalised to tonnes of CO ₂ e per total £1,000,000 revenue	4.0	6.9

Emissions data has been reported for Gresham's operations in Australia and the UK, with locations in Malaysia, North America and Singapore considered not material to the scope of this reporting.

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

ETHICAL BUSINESS PRACTICES

We are committed to corporate sustainability and to an ethical and principled approach of doing business.

Human rights

This includes recognising and supporting the protection of human rights around the world. Gresham is guided by internationally proclaimed fundamental principles such as those set out in the United Nations Universal Declaration of Human Rights. Gresham's key principles in relation to human rights are guided by the Ten Principles of the UN Global Compact.

Modern slavery

Modern slavery is a crime and a violation of fundamental human rights. We have a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains.

We are also committed to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains, consistent with our disclosure obligations under the Modern Slavery Act 2015. We expect the same high standards from all of our contractors, suppliers and other business partners, and wherever possible as part of our contracting processes, we include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and we expect that our suppliers will hold their own suppliers to the same high standards.

Anti-corruption and bribery

The Company is committed to applying the highest standards of ethical conduct and integrity to its business activities in the UK and overseas. The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its employees, officers, agents or consultants or any persons or companies acting for it or on its behalf. The Directors and senior management are committed to implementing and enforcing effective systems throughout the Company to prevent, monitor and eliminate bribery, in accordance with its obligations under the Bribery Act 2010 and equivalent legislation overseas.

Equal opportunity

The Company is an equal opportunity employer. We are committed to ensuring that our workplaces are free from unlawful or unfair discrimination in accordance with applicable legislation. This includes upholding the following principles:

- recruitment and employment decisions are made on the basis of fair and objective criteria;
- person and job specifications are limited to those requirements which are necessary for the effective performance of the job. Specifically, full consideration is given to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job;
- interviews are conducted on an objective basis; personal or home commitments will not form the basis of employment decisions except where necessary and relevant; and
- all employees have a right to equality of opportunity. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Gender analysis

At 31 December 2017 the Group had the following split of gender of staff:

	Female	Male	Total
Executive Directors	—	2	2
Senior managers	1	5	6
Staff	20	99	119
	21	106	127
Non-Executive Directors	1	2	3



Executive Directors

– Female 0
– Male 2

Senior managers

– Female 1
– Male 5

Staff

– Female 20
– Male 99

The Strategic Report was approved by the Board of Directors on 12 March 2018.

On behalf of the Board

Ian Manocha
12 March 2018

Rob Grubb
12 March 2018

Board of Directors

Chairman's introduction to governance

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

The Board's aim is to operate as effectively as possible, in line with the governing principles of the UK Corporate Governance Code. Board discussions are conducted openly and transparently, which creates an environment for sustainable and robust debate. In the year, the Board has constructively and proactively challenged management on Group strategies, proposals, operating performance and key decisions, as part of its ongoing work to assess and safeguard the position and prospects of the Group.

Key risks and uncertainties affecting the business are regularly assessed and updated. The Board challenges management to ensure appropriate risk mitigation measures are in place. The Board has completed a full, specific review of the Group's key risks and uncertainties (see page 16), in light of the new and emerging risks or uncertainties arising from the Group's strategic growth plans and the wider economic, political and market conditions.

Once again, the composition of the Board has seen further changes, with Mr A Balchin replacing Mr C Errington and Non-Executive Director and chair of the audit committee, and Mr T Mullan replacing Mr R Grubb as Chief Financial Officer as of 13 March 2018. These appointments have been overseen and recommended by the nomination committee and, whilst I am pleased with the current balance of skills, experience and independence on the Board, we will continue to keep this under review as the Group and its needs evolve.

The current composition of the Board demonstrates our further progress towards achieving full compliance with the Corporate Governance Code, with a majority of our Non-Executive Directors satisfying the criteria for independence.

As regards remuneration, we have made progress in the year in establishing the all-staff Deferred Share Bonus Plan 2017, which should prove to be a significant milestone in our bid to attract, retain and engage talented staff in our sector, which is highly competitive. For Executives, the remuneration committee intends to review the remuneration policy and incentivisation arrangements in the course of 2018 to ensure that our structures are appropriately aligned with long-term shareholder objectives and in line with remuneration industry guidelines. Further details will be provided to shareholders in due course.

Finally, the Board continues to engage with shareholders and welcomes ongoing dialogue throughout the year, as well as through the formal shareholder events, which include the capital markets day and the Annual General Meeting. The Board has reviewed its communications policy for 2018, as it does at least annually, and has taken account of shareholder feedback throughout the year and the changing regulatory requirements.

As always, I welcome shareholder attendance and participation at the forthcoming Annual General Meeting.

Ken Archer
Non-Executive Chairman
12 March 2018



Ken Archer
Non-Executive Chairman

Ken was appointed to the Board as a Non-Executive Director in June 2010 and became Non-Executive Chairman in November 2010. He is chairman of the nomination committee and a member of the remuneration and audit committees. Ken has over 35 years' experience in the IT industry and possesses a wealth of knowledge of financial technology products and services, having held a number of senior executive positions in this sector. Ken is a non-executive director of Fidessa Group plc (LSE:FDSA).



Ian Manocha
Chief Executive Officer

Ian was appointed to the Board in June 2015. Ian has extensive experience in the business technology sector. He joined Gresham from SAS where he worked for nearly 20 years, most recently as vice president business units, EMEA and AP. Ian has worked extensively with many of the world's leading financial institutions and has been successful in growing companies to significant scale through securing and delivering high value enterprise software deals.



Imogen Joss
Senior Independent Non-Executive Director

Imogen was appointed to the Board in September 2016. She is chair of the remuneration committee and a member of the audit committee and nomination committee. Imogen has worked within the financial sector for over 20 years, and has extensive experience in financial sales and marketing. Most recently, Imogen has been the president of S&P Global Platts Inc. Imogen's executive career also includes leadership roles with Lloyds Bank, Reuters plc, Financial Times Information Ltd, Extel Financial Ltd and FTSE Group.



Andy Balchin
Independent Non-Executive Director

Andy was appointed to the Board in May 2017. He is chair of the audit committee and a member of the remuneration and nomination committees. He is currently Chief Financial Officer of the cyber division of RUAG Holding AG, a major Swiss organisation, which acquired Clearswift, a provider of cyber security solutions, in January 2017 where he was CFO. He brings 30 years' of financial experience in high-growth software companies, including Smartstream, SeeBeyond and Documentum. Andy is a Chartered Accountant and has recent experience working in a private equity environment, in M&A and IPO transactions, as well as in external audit during his early career.



Tom Mullan
Chief Financial Officer (from 13 March 2018)

Tom joined Gresham on 1 March 2018 and was appointed to the Board on 13 March 2018. Tom is a Chartered Accountant having trained and qualified at Ernst & Young. Prior to joining Gresham, Tom was most recently chief financial officer at Fadata, a PE backed software business, and before that was divisional finance director for Guidewire in EMEA.



Rob Grubb
Chief Financial Officer (until 13 March 2018)

Rob was appointed to the Board in 2011 and was CFO until 13 March 2018. Rob qualified as a Chartered Accountant with Ernst & Young and has acquired substantial experience in assurance and strategic financial planning, as well as strong listed company experience. Rob joined Gresham in 2009 as Group Financial Controller, a position he held until 2011 when he was appointed to the Board as Chief Financial Officer.

Statement of corporate governance

This statement explains how the Company has applied the main and supporting principles of corporate governance and describes the Company's compliance with the provisions of the UK Corporate Governance Code, as published in April 2016 by the Financial Reporting Council and available at www.frc.org.uk. All references to the Company are in respect of the statutory entity Gresham Technologies plc, which is the ultimate parent undertaking of the Gresham Group of companies.

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

The Company has complied with the relevant provisions (Provisions) set out in the UK Corporate Governance Code 2016 (Code) throughout the year with the exception of the matters referred to below:

Provisions	Exceptions and explanations
B1.2: the board should include at least two independent non-executive directors.	Prior to Mr A Balchin's appointment in May 2017, the Company did not comply with these Provisions as it only had one independent Non-Executive Director, namely Ms I Joss.
B2.1: the nomination committee should include a majority of independent non-executive directors.	Mr K Archer is not considered to be independent as a result of his participation in the Group's share option scheme in December 2010 (see below), and Mr C Errington (resigned May 2017) was not considered to be independent due to previously being Chief Executive and having a paid role with Kestrel Partners LLP, a significant shareholder.
C1.3: the audit committee should include at least two independent non-executive directors.	The Company has complied with these Provisions since Mr A Balchin's appointment in May 2017 to the Board as independent Non-Executive Director and to each of the audit committee (as chairman), the nomination committee (as member) and the remuneration committee (as member).
D2.1: the remuneration committee should include at least two independent non-executive directors.	
D1.3: remuneration for non-executive directors should not include share options.	Mr K Archer was granted share options under the Group's share option scheme established in December 2010. Details of Directors' interests in options are set out in the Directors' Remuneration Report. The Group's Share Option Scheme 2010 was approved following consultation with significant shareholders. The grant to Mr K Archer was considered to be necessary in light of the circumstances at that time. No further grants to Non-Executive Directors are planned.

The Board and its committees

Board composition

The Board is currently comprised of the Non-Executive Chairman, two Executive Directors and two Non-Executive Directors.

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

Non-Executive Directors constructively challenge and assist in the development of strategy. They scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The Senior Independent Non-Executive Director, Ms I Joss, is available to shareholders if they have concerns which contact through the normal channels of Chairman or Chief Executive has failed to resolve or for which such contact is inappropriate.

The Company Secretary is Mr J Cathie who was appointed to the role on 21 March 2014. Mr J Cathie is not a Director of the Company. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Operation of the Board

The Board is responsible to shareholders for the proper management of the Group. A statement of the Directors' responsibilities in respect of the financial statements is set out on page 48 and a viability statement and a statement on going concern are given on page 45.

The Board normally meets once a month and has a formal schedule of matters specifically reserved to it for decision. These include strategic planning, business acquisitions and disposals, authorisation of major capital expenditure and material unusual contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements. Other matters are delegated to the Executive Directors, supported by policies for reporting to the Board. Presentations are made to the main Board at each monthly Board meeting by the Executive Directors and also on regular occasions by operational management.

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

The Non-Executive Chairman and the Non-Executive Directors are able to meet without Executives present prior to each Board meeting. The agenda and relevant briefing papers for each Board meeting are distributed by the Company Secretary, usually a week in advance of each Board meeting.

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

The Board has formed certain committees, namely an audit committee, a remuneration committee and a nomination committee, to deal with the specific aspects of the Group's affairs. Each of the committees is governed by terms of reference available on the Company's website. Details of the committees' constituent members and the roles, responsibilities and activities of each of the committees are described in more detail in the individual committee reports commencing page 33.

Meetings and attendance

The following table summarises the number of Board, audit committee, remuneration committee and nomination committee meetings held during the year and the attendance record of individual Directors at those meetings.

Number of meetings attended	Board	Audit	Remuneration	Nomination
K Archer	10/10	2/3	2/2	1/1
I Joss	9/10	2/3	2/2	1/1
A Balchin ⁽¹⁾	6/6	2/2	—	1/1
C Errington ⁽²⁾	5/5	1/1	—	—
I Manocha	10/10	—	—	—
R Grubb	10/10	—	—	—

(1) Appointed 15 May 2017.

(2) Resigned 31 May 2017.

Induction, training and performance evaluation

Induction and training

New Directors receive a thorough and tailored induction on their appointment to the Board covering the activities of the Group and its key business and financial risks, the terms of reference of the Board and its committees and the latest financial information about the Group. A full induction programme was provided for Mr A Balchin, who joined the Board on 15 May 2017.

The Chairman ensures that Directors update their skills, knowledge and familiarity with the Group required to fulfil their roles on the Board and committees. Ongoing training is provided as necessary and includes updates from the Company Secretary on changes to the Listing Rules, requirements under the Companies Act and other regulatory matters. Directors may consult with the Company Secretary at any time on matters related to their role on the Board. All Directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the Chairman or the Company Secretary.

Evaluation of the Board's performance

The Board has undertaken a formal review encompassing the performance of the Board as a whole, its committees and each Director. In performing these reviews, criteria that are taken into account include the ability of the Director to take the perspective of creating shareholder value; to contribute to the development of strategy and identification of risks; to provide clarity of direction to management; to be a source of wise counsel; to bring a broad perspective to discussions and an understanding of key issues; to commit the time required to fulfil the role; and to listen to and respect the ideas of fellow Directors and management.

The Chairman has formally reviewed the performance of Ms I Joss and Mr A Balchin and satisfied himself that their performance continues to be effective and that they continue to demonstrate commitment to the role. The Senior Independent Non-Executive Director is responsible for, and has undertaken, the performance evaluation of the Chairman, taking into account the views of the other Directors and the criteria above, and is satisfied that his performance continues to be effective and that he continues to demonstrate commitment to the role.

Retirement and re-election

All Directors are subject to election by shareholders at the first AGM immediately following their appointment and thereafter are subject to re-election at intervals of no more than three years, or annually for any Non-Executive Director who has served for more than nine years. All Non-Executive Directors are appointed for fixed terms in line with corporate governance requirements.

Relations with shareholders

Dialogue with institutional shareholders

The Board as a whole is responsible for ensuring that a dialogue is maintained with shareholders based on the mutual understanding of objectives.

Members of the Board meet with major shareholders on a regular basis, including presentations after the Company's announcement of the year-end results and at the half year.

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

Ms I Joss, the Senior Independent Non-Executive Director, and Mr K Archer, the Non-Executive Chairman, are available to shareholders if they have concerns where contact through the normal channel of Chief Executive has failed to resolve or for which such contact is inappropriate.

Constructive use of the AGM

The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. All members of the Board attended the Company's last AGM, and the Chairman aims to ensure that all members of the Board will be available at the forthcoming AGM.

Details of resolutions to be proposed at the AGM can be found in the Notice of the Meeting. A separate resolution is proposed for each substantially separate issue including a separate resolution relating to the Annual Financial Report 2017.

Statement of corporate governance continued

Accountability and audit**Financial reporting**

The Board is responsible for presenting a balanced and understandable assessment of the Company's position and prospects, extending to Interim Reports and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements. A statement of the Directors' responsibilities is set out on page 48.

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

Going concern

The Directors are required to report that the business is a going concern, with supporting assumptions and qualifications as necessary. The Directors have concluded that the business is a going concern as further explained in the Directors' Report on page 45.

Viability statement pursuant to Provision C2.2 of the Code

The Directors confirm that they have assessed the prospects of the Group over a three-year period commencing 1 January 2018 and that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for that period.

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

In making this statement, the Directors have considered the Group's current position and the potential impact of the principal risks and uncertainties described on page 16 on the Group's business model (including, without limitation, the potential impact of Brexit, which is also discussed on page 11), future performance, solvency or liquidity, taking account of severe but reasonable scenarios and the effectiveness of any mitigating actions, and have performed stress test analyses based on likely outcomes.

Control environment

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

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

Audit committee report



Andy Balchin

Audit committee membership

- Andy Balchin (committee chairman)
- Imogen Joss
- Ken Archer

Dear shareholder

I am pleased to present the report of the audit committee for the year ended 31 December 2017.

I was appointed independent Non-Executive Director in May 2017 and took over as chairman of the committee from Mr C Errington in the same month. I am a Chartered Accountant with many years' experience working in finance, particularly software technology companies. Our committee comprises three members, two of whom are independent Non-Executive Directors, namely myself and Ms I Joss. Mr K Archer also continues to serve as a committee member.

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

In the performance of its duties the committee held three meetings in the year. In order for the committee to properly discharge its role, it is critical that we have the opportunity to openly discuss with management any matter which falls within our remit and probe and challenge where necessary. The Chief Executive, the Chief Financial Officer and the Company Secretary attend all our meetings by invitation,

and other senior managers are invited to attend to provide technical or business information as necessary. In addition, our meetings are attended by the lead audit partner from the external auditor and other representatives. Their attendance is important as it gives us the opportunity to seek their independent and objective views on matters which they encounter during their audit. At least once a year, we meet separately with the external auditor to discuss matters without executive management being present. On a more frequent basis, I meet with the Chief Financial Officer and other senior management. This means any issues or concerns can be raised at an early stage allowing me to ensure that sufficient time is devoted to them at the subsequent committee meeting. There is an open and constructive communication between the committee, management and external auditor.

Looking ahead, a new Chief Financial Officer, Mr T Mullan, has just been appointed, a role of significant importance to this committee. We will work closely with him to help ensure an effective and successful induction to the business. We will also continue to play a key role in monitoring the integrity of the Group's published financial information, assessing the effectiveness of its internal controls and risk management processes, and ensure that our external auditor, BDO LLP, delivers a high quality effective audit.

Responsibilities

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

- monitoring the integrity of the reported financial statements of the Group, and any formal announcements relating to the Group's financial performance, and reviewing significant financial issues and judgements contained in them;
- reviewing the Group's internal financial controls and reviewing the Group's internal control and risk management systems;
- reviewing the Group's speak up (whistle-blowing) arrangements;
- reviewing the need for a separate internal audit function;
- making recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- ensuring an appropriate relationship with the external auditor to include the reviewing and monitoring of its independence and objectivity, and the effectiveness of the audit process, based on a sound plan to ensure it delivers a high quality effective audit;
- developing and implementing policy on engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- reporting to the Board, identifying any matters for which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Audit committee report continued

Significant judgements in relation to financial statements

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

Significant issue and explanation

Work undertaken by the committee in forming an opinion

Capitalised development costs

Development costs are accounted for in accordance with IAS 38 Intangible Assets, and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including estimates of the technical and commercial viability of the asset created, and its applicable useful economic life. These estimates are continually reviewed and updated by management based on past experience and reviews of competitor products available in the market.

The committee has reviewed reports from management identifying the development costs capitalised, the technical and commercial feasibility of the product being produced and whether further costs continue to fulfil the required IAS 38 criteria. The committee's review encompasses direct discussion with executive and operational management, in addition to reviewing monthly formal reporting to the Board on development and associated sales and implementation activity. The treatment of development costs is an area of focus for the external auditor who reported its findings to us. We concluded that management's key assumptions, judgements, estimates and disclosures were reasonable and appropriate.

Revenue and profit recognition

Revenue and the associated profit are recognised from sale of software licences, rendering of services, subscriptions and maintenance and solution sales. Whilst in most cases performance obligations clearly follow the commercial and contractual arrangement agreed with the customer, in some cases the revenue streams are combined within an overall commercial arrangement. Such bundling requires judgement to assess performance obligations associated with each revenue stream and further judgement as to when and how such performance obligations have been discharged in order to recognise the associated revenue. The estimation of the stage of completion, along with the unbundling of multi-element solution sales, represents a risk of incorrect revenue recognition.

The committee has reviewed management's descriptions and status reports on material new deals and on delivery work-in-progress through the year, both through direct discussion and formal month-end reporting to the Board. The committee has furthermore considered management's assessments made on percentage of completion of material work-in-progress, and other judgements such as bundling or unbundling of revenue streams, and the resulting impact on revenue and profit recognition. Revenue recognition is an area of focus for the external auditor who reported its findings to us. We considered whether the accounting treatment for revenue and profit recognition was in accordance with agreed methodology and concurred with management's opinion that it was.

Impairment reviews

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

The committee has considered management's assessments of value in use of cash-generating units of intangible assets (principally the goodwill and capitalised development costs) at the reporting date. This included specifically considering and subsequently approving business plans prepared by management supporting the future performance expectations used in the calculation of the value in use. Impairments reviews were also an area of focus for the external auditor who reported its findings to us. We concluded that management's key assumptions were reasonable.

Risk management and internal control systems

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

The Board and committee has reviewed the effectiveness of the Group's risk management and internal control systems during the year. This review covered all material controls, including financial, operational and compliance controls.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board continues to discuss with management further enhancements in financial and other controls commensurate with the growth of the Group. In addition, steps are continuing to be taken to further embed internal control and risk management processes into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

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

Speak up (whistle-blowing) arrangements

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

Internal audit function

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

External auditor

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

The last audit tender process undertaken by the committee was performed in 2010, resulting in the appointment of BDO LLP as external auditor for the year ended 31 December 2010. BDO LLP has continued as external auditor for every year since then, including in respect of this Annual Financial Report 2017. The external audit partner was last rotated in 2015.

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

In relation to independence, the committee reviews and controls the manner in which non-audit services are awarded to the external auditor on at least an annual basis. All significant non-audit work, and any work of a non-compliance consultancy nature, commissioned from the external auditor requires audit committee approval. In the year, non-audit fees represented 23% of the total fees paid to the external auditor, compared to 25% in the prior year.

The committee is satisfied with the effectiveness and independence of the external auditor, and a resolution to reappoint BDO LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting.

Andy Balchin

Chairman of the audit committee

12 March 2018

Nomination committee report



Ken Archer

Nomination committee membership

- Ken Archer (committee chairman)
- Imogen Joss
- Andy Balchin

Dear shareholder

I am pleased to present the report of the nomination committee for the year ended 31 December 2017.

The committee consists of me as chairman, and Ms I Joss and Mr A Balchin as members. In the performance of its duties, the committee held one meeting in the year which, at the committee's invitation, was attended by the Chief Executive, Mr I Manocha.

The principal activities of the nomination committee in the year were leading the recruitment process and ultimately recommending the appointment of Mr T Mullan as incoming Chief Financial Officer. The process included a merit-based assessment based on objective criteria having regard to the Group's current and future requirements. The Company engaged Warren Partners as independent search consultants to identify suitable candidates and assist with the recruitment process. Mr T Mullan's appointment was unanimously recommended to the Board by all members of the committee and the Chief Executive.

The Board's policy is to ensure that all appointments are merit-based and based on objective criteria, giving all due regard to equality of opportunity, and to promote inclusion and diversity. The Board notes that achieving diversity in the technology sector is challenging, having regard to the available pool of individuals with the right skills, experience and talent. Given the relatively small size of the Board and the Group, the committee does not currently set any measurable objectives for implementing a diversity policy but it acknowledges the role of the Board in promoting diversity, including gender diversity, throughout the Group. Currently there is one female member of the Board, representing 20% of Board membership.

In relation to succession planning, the nomination committee keeps under review, and takes appropriate action to ensure, orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Group and on the Board. As regards Non-Executive Directors, the committee considers, amongst other factors, their other significant outside commitments prior to making recommendations, which is designed to ensure that they have sufficient time to meet what is expected of them, and keeps any changes to these commitments under review.

I am satisfied that the committee has appropriately discharged its duties in the year in accordance with its terms of reference. Terms of reference are reviewed annually and are available at www.greshamtech.com/investors.

Ken Archer
Chairman of the nomination committee
12 March 2018



Imogen Joss

Remuneration committee membership

- Imogen Joss (committee chair)
- Ken Archer
- Andy Balchin

Dear shareholder

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2017.

The committee consists of me as chair, and Mr K Archer and Mr A Balchin as members. The committee met twice in the year. Each of these meetings was attended, at the committee's invitation, by the Executive Directors, except that they were not present in any discussions affecting their own remuneration.

For 2017, the committee has continued to operate a simple remuneration structure made up of basic salary, performance-related bonuses, share options, benefits and pensions. As previously, a significant proportion of executive remuneration is based on performance, designed to align executive pay with shareholder interests. In this respect, the committee has assessed the performance of Executive Directors for the year reported, set performance targets for the following financial period and made recommendations to the Board on the overall package for Executive Directors (including the new Chief Financial Officer).

Details of Executive Director performance-related pay awards in respect of 2017 and how they were calculated are set out in the following pages. As regards increases for 2018, the committee has assessed that Chief Executive basic pay should increase by 2.4% in line with other Group employees. The remuneration package for Mr T Mullan, the incoming Chief Financial Officer, has been assessed based on market conditions and in consultation with recruitment advisers. The committee believes that the overall CFO remuneration is competitive relative to other similar companies, and no more than is necessary.

The all-staff Deferred Share Bonus Plan 2017 was adopted in December 2017. This represents an important milestone for the Group in its endeavours to attract and retain talented staff in a competitive sector, promote high levels of employee engagement and align staff incentives with long-term shareholder interests.

Executive Directors are not eligible to participate in the Deferred Share Bonus Plan 2017. Further, the Share Option Schemes 2010 are now substantially consumed. At this important stage of the Group's development, the committee believes that it is necessary and appropriate to initiate a comprehensive review of its existing executive remuneration structures in light of current market conditions. To this end, the committee will be engaging independent remuneration consultants in the course of 2018 to advise the committee with regard to executive pay (including benchmarking and variable pay considerations) and to formulate proposals regarding a new, long-term incentive framework for executives. The committee is fully committed to aligning executive remuneration with the Group's long-term success, whilst ensuring that executive pay is appropriate for a company of our shape and size and remains in line with prevailing industry remuneration guidelines. I look forward to consulting with key stakeholders in due course.

I am satisfied that the committee has appropriately discharged its duties in the year in accordance with its terms of reference. Terms of reference are reviewed annually and are available at www.greshamtech.com/investors.

I encourage you to read the Directors' Remuneration report on the following pages.

Imogen Joss
Chair of the remuneration committee
12 March 2018

Remuneration report continued

This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (April 2016) and the Listing Rules.

The report is in two sections:

- the Directors' remuneration policy as approved at the AGM held in May 2017, which sets out the Company's current policy on remuneration for Executive and Non-Executive Directors; and
- the Directors' Remuneration Report. This section sets out details of how the remuneration policy was implemented for the year ended 31 December 2017 and how the Company intends for the policy to apply for the year ended 31 December 2018.

The Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming AGM.

Directors' remuneration policy

Remuneration policy table

The table below sets out the Directors' remuneration policy as approved by shareholders at the 2017 AGM. No changes to the policy are being proposed at the 2018 AGM.

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

Element of remuneration	Link to Group strategy	Operation	Framework
Base salary	Supports the recruitment and retention of Executive Directors of the calibre required to deliver the Group's strategy.	Base salary is paid monthly and reviewed annually, with any increases applying from 1 April.	Base salary and reviews are assessed on both Group and individual performance, and, in the case of new Directors, their prior experience and skills. Consideration is also given to pay increases for other employees in the Group and to comparable pay for similar roles at similar companies. Where appropriate, the committee will engage external remuneration consultants for benchmarking.
Pension	Supports the recruitment and retention of Executive Directors of the calibre required to deliver the Group's strategy.	Pension contributions are made by the Company to a defined contribution scheme operated by a third party provider.	Pension contributions are matched by the Company up to a maximum of 5% of base salary, in line with other employees in the Group. In exceptional circumstances, such as recruitment of new Directors, the committee has discretion to authorise higher Company contributions up to a maximum of 10% of base salary in total.
Benefits	Supports the recruitment and retention of Executive Directors of the calibre required to deliver the Group's strategy.	Benefits principally comprise private healthcare and death in service insurance.	Premiums are paid by the Company to an external broker to arrange cover, in line with other Group employees. These benefits are standard for all Group employees and are not assessed against performance.
Annual bonus	Rewards and incentivises the Executive Directors for achievement of strategic objectives as measured by KPIs.	The committee sets annual performance targets, linked to strategic objectives. Bonus payments in respect of a year are made in April, or later if any element is deferred.	Annual targets are set predominantly, or even exclusively, in relation to financial measures, so as to maintain a link between shareholder value and bonus payments. The committee has final discretion in determining the value of the bonus payment based on its assessment of performance against the set targets and as a whole. The committee has discretion to defer up to 50% of the annual bonus, which may be adjusted or forfeited if specified conditions are not achieved. The maximum bonus payable in respect of a year is 100% of basic salary.
Share option plan	Directly aligns financial incentives with returns to shareholders. Financial reward is created through the creation of shareholder value.	The committee has discretion to make option grants to Executive Directors and other staff, subject to the scheme rules, and to determine appropriate performance conditions.	The share option plans are subject to rules and limits approved by shareholders in general meeting. Options are granted at an exercise price of not less than 110% of the mid-market price of ordinary shares on the day prior to the date of grant. All options are subject to a minimum three-year vesting period, and any exercise is subject to satisfaction of the specified performance conditions, which the committee assesses.

Element of remuneration	Link to Group strategy	Operation	Framework
Chairman and Non-Executive Director fees	Supports the recruitment and retention of individuals of the calibre required to constitute an effective Board and contribute to the Company's long-term success.	Fees for Non-Executive Directors are set by the Board (excluding Non-Executive Directors). Fees are paid monthly.	A basic fee is set for normal duties, commensurate with fees paid for similar roles in other similar companies, taking account of the time commitment, responsibilities, and committee position(s). Supplementary fees are paid for any additional duties at fixed day rates. Non-Executive Directors are not eligible for pensions, incentives, bonus or any similar payments other than normal out-of-pocket expenses incurred on behalf of the business. Compensation for loss of office is not payable to Non-Executive Directors.

Remuneration scenarios

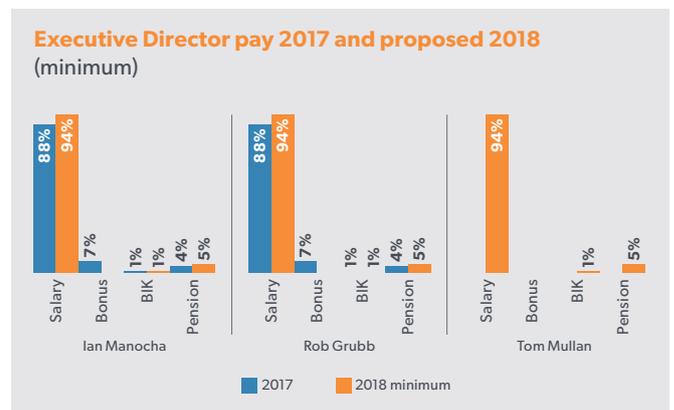
Executive pay under the above policy is wholly contractually based and represents 100% of maximum remuneration.

The following graphs compare all elements of Executive Director pay in respect of 2017, and proposed for 2018, incorporating the following scenarios:

- the minimum remuneration receivable (minimum);
- the remuneration receivable if the Director performs in line with the Company's expectation (expected); and
- the maximum remuneration ordinarily receivable (maximum), inclusive of an annual bonus of up to 100% of salary.

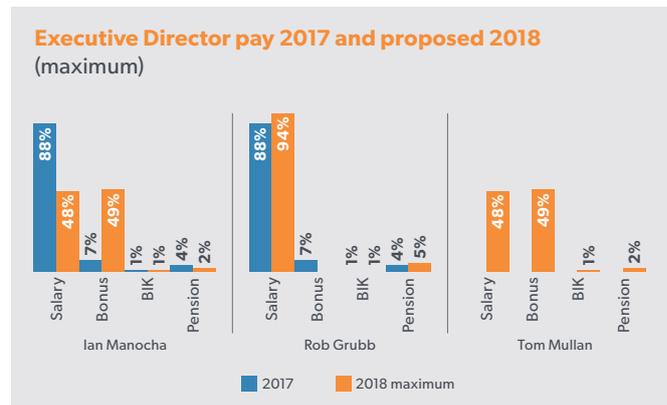
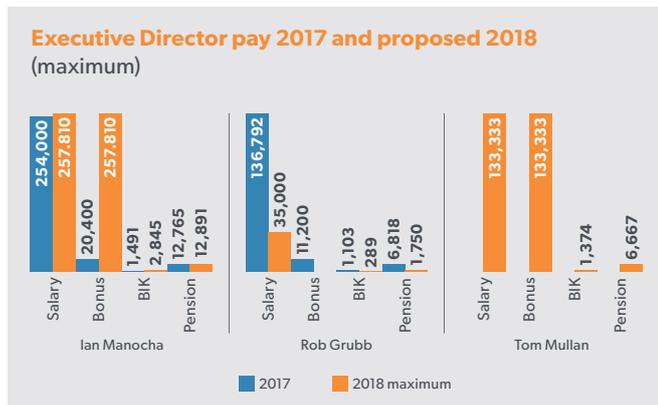
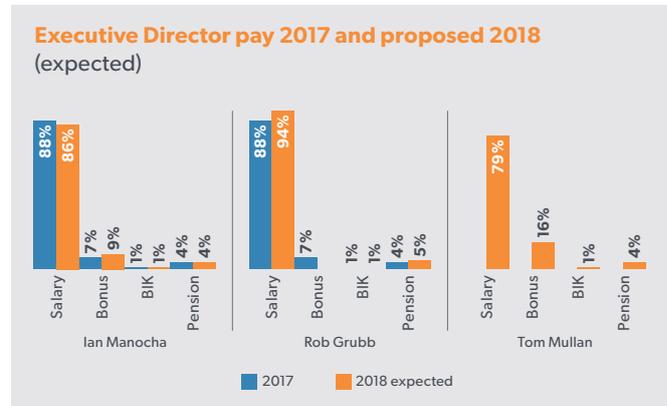
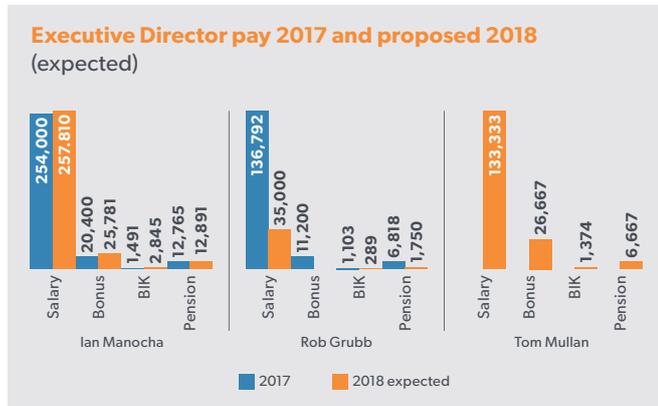
The Executive Directors are Mr I Manocha (Chief Executive), Mr R Grubb (Chief Financial Officer until 13 March 2018) and Mr T Mullan (Chief Financial Officer from 13 March 2018). Details for Mr R Grubb relate to the period ending 31 March 2018, being his last day of employment with the Group. Details for Mr T Mullan relate to the period commencing 1 March 2018, being his first day of employment with the Group.

For each scenario, the first graph illustrates these amounts in Pounds Sterling, and the second graph shows the proportion each element is of total pay for the individuals shown expressed as a percentage. On each graph, "BIK" means benefits in kind.



Remuneration report continued

Directors' remuneration policy continued Remuneration scenarios continued



Remuneration policy considerations

Recruitment

The Company's nomination committee is responsible for leading the process for Board appointments and making recommendations to the Board. Refer to the report of the nomination committee for details.

Loss of office payments

There are no predetermined special provisions for Executive Directors with regard to compensation in the event of loss of office. The remuneration committee considers the circumstances of individual cases of early termination and only in exceptional circumstances would the committee recommend compensation payments in excess of the Company's contractual obligations.

Wider staff employment conditions

The remuneration committee considers pay and employment conditions for other Senior Executives and staff members of the Group when designing and setting executive remuneration. Underpinning all pay is an intention to be fair to all staff of the Group, taking into account the individual's seniority and local market practices.

Consultation with shareholders

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

Consultation with employees

The Board and the remuneration committee did not consult with employees when formulating and implementing the policy.

Service contracts and letters of appointment

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

None of the Non-Executive Directors have a service contract. Appointments are for three-year terms, which may be renewed by mutual agreement, subject always to termination by either party at any time on three months' notice.

Policy on Director shareholdings

The Company has no policy on Director shareholdings.

Directors' remuneration report

Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for Directors for the financial years ended 31 December 2017 and 2016:

31 December 2017	Basic salary and fees £	Benefits in kind £	Loss of office £	Performance-related bonus £	Pension £	IFRS 2 share-based payment charge £	Total 2017
Executive Directors							
I Manocha	254,000	1,491	—	20,400	12,765	220,233	508,889
R Grubb	136,792	1,103	—	11,200	6,818	—	155,913
Non-Executive Directors							
K Archer	80,000	—	—	—	—	—	80,000
I Joss	40,000	—	—	—	—	—	40,000
A Balchin ⁽¹⁾	25,333	—	—	—	—	—	25,333
C Errington ⁽²⁾	12,500	—	—	—	—	—	12,500
	548,625	2,594	—	31,600	19,583	220,233	822,635

(1) Appointed 15 May 2017.

(2) Resigned 31 May 2017.

31 December 2016	Basic salary and fees £	Benefits in kind £	Loss of office £	Performance-related bonus £	Pension £	IFRS 2 share-based payment charge £	Total 2016
Executive Directors							
I Manocha	250,000	1,983	—	—	12,500	75,441	339,924
R Grubb	122,400	1,452	—	—	6,120	—	129,972
Non-Executive Directors							
K Archer	80,000	—	—	—	—	—	80,000
I Joss ⁽¹⁾	13,333	—	—	—	—	—	13,333
C Errington	30,000	—	—	—	—	—	30,000
M Royde ⁽²⁾	25,000	—	—	—	—	—	25,000
	520,733	3,435	—	—	18,620	75,441	618,229

(1) Appointed 1 September 2016.

(2) Resigned 30 September 2016.

It should be noted that the IFRS 2 share-based payment charges referred to in the table above for Mr I Manocha (2017: £220,233; 2016: £75,441) are accounting charges that are calculated in accordance with applicable accounting rules as set out in note 23 of the Group financial statements. These charges do not represent cash payments to Mr I Manocha.

The remuneration package of each Executive Director includes non-cash benefits comprising the provision of private healthcare and death in service insurance.

For the year ended 31 December 2016, the committee did not award any performance-related bonuses in respect of Directors. For the year ended 31 December 2017, Mr I Manocha was awarded a performance-related cash bonus of £20,400 representing 8% of base salary. Mr R Grubb was awarded a performance-related cash bonus of £11,200 representing 8% of base salary. Information regarding performance-related pay conditions in 2017 is set out below.

No share options or other equity awards were granted to Directors in the year.

Interests in options (audited information)

The Group operated share option schemes (Option Schemes 2010) during the year, under which Directors and other Senior Executives are able to subscribe for ordinary shares in the Company. There were no other share option schemes in operation. Further details concerning the Option Schemes 2010, including vesting conditions, can be found in note 22 to the Group financial statements. Directors are not eligible to participate in the all-staff Deferred Share Bonus Plan 2017.

Remuneration report continued

Directors' remuneration report continued**Interests in options (audited information)** continued

The interests of the Directors under the Option Schemes 2010 were as set out in the table below:

	Options at 1 January 2017	Granted	Cancelled	Exercised	Options at 31 December 2017	Date of grant	Exercise price	Date first exercisable	Expiry date
Executive Directors									
I Manocha ⁽¹⁾⁽²⁾	1,500,000	—	—	—	1,500,000	01.06.15	111p	01.06.18	01.06.25
R Grubb	—	—	—	—	—	—	—	—	—
Non-Executive Directors									
K Archer ⁽¹⁾⁽³⁾	700,000	—	—	—	700,000	31.12.10	28p	31.12.13	31.12.20
I Joss	—	—	—	—	—	—	—	—	—
A Balchin	—	—	—	—	—	—	—	—	—
	2,200,000	—	—	—	2,200,000				

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

(2) Yet to vest.

(3) Vested.

The closing market price of the Company's shares on 31 December 2017 was 192.5 pence. During the year, the closing price per ordinary share ranged from 126.5 pence to 207.5 pence.

There were no exercises of Director share options in the years ended 31 December 2017 or 31 December 2016.

The interests of the Directors to subscribe for or acquire ordinary shares have not changed since the year end.

Remuneration for Mr T Mullan

Mr T Mullan joined the Group on 1 March 2018 and will join the Board as Executive Director and Chief Financial Officer on 13 March 2018. Mr T Mullan's basic salary will be £160,000 per annum and will be entitled to participate in the executive bonus scheme determined by the remuneration committee for the current year. He is expected to be granted 200,000 share options in the Company upon joining the Board pursuant to the Option Schemes 2010. He will also be entitled to receive pension contributions as well as non-cash benefits comprising the provision of private healthcare and death in service insurance. Mr T Mullan's remuneration entitlements accord with the terms of the Directors' remuneration policy set out above.

Service contracts

Mr I Manocha has a service agreement dated 15 February 2015, which is terminable by twelve months' rolling notice from either side. Mr R Grubb has a service agreement dated 18 May 2011, which is terminable by six months' rolling notice from either side. Mr R Grubb has served notice to terminate his directorship and employment effective 13 March 2018 and 31 March 2018 respectively. Mr T Mullan's service agreement is dated 5 February 2018 and is terminable by six months' rolling notice from either side.

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

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

The link between pay and performance

The key variable element of Directors' and senior managers' pay is the award of share options and payments of performance-based annual bonuses. All Director and senior manager performance that directly creates shareholder value will in turn directly increase the value of individuals' share option awards and annual bonus payments awarded.

Information regarding performance-related pay conditions in 2017

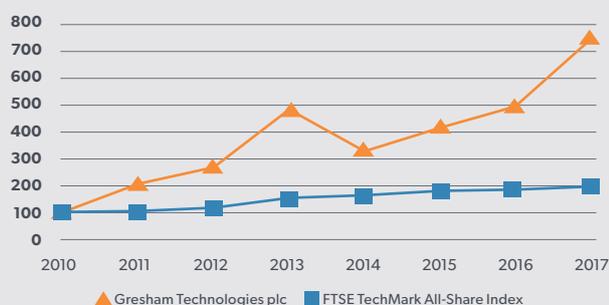
The following information is provided in relation to performance-related pay conditions for Executive Directors that applied in respect of financial year 2017.

Executive Director annual bonus awards for 2017 were assessed by the committee based on predetermined annual performance targets linked to Group objectives and individual performance objectives. The primary Group financial objective was to achieve adjusted EBITDA of £5.2m, which would deliver an on-target bonus of 8% of base salary, subject to upwards or downwards adjustments to be determined by the remuneration committee based on other Group financial results (including Group revenue targets) and achievement of individual objectives. Notwithstanding that adjusted EBITDA was marginally (2%) behind the £5.2m target, the committee set final bonus awards at 8% of base salary in light of overall Group and individual performance.

The share options granted to Mr I Manocha in June 2015 are subject to a minimum three-year vesting period, such that exercise is not possible until 1 June 2018 at the earliest. The exercise of these share options is also subject to a performance condition requiring the number of direct CTC customers at the date of exercise to be equal to or greater than 40. This condition was achieved during 2017, as determined by the remuneration committee. Mr R Grubb does not hold any share options.

Payments for loss of office (audited information)

No payments for loss of office were made during the year ended 31 December 2017 (2016: £nil).

Total shareholder return (£)

This graph shows the value, by the end of 2017 of £100 invested in Gresham Technologies plc on 31 December 2010 compared with the value of £100 invested in the FTSE TechMark All-Share Index. The other points are values at intervening financial year ends.

Total Chief Executive Officer pay (£)

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

	2013	2014	2015	2016	2017
I Manocha (CEO from 1 June 2015)					
Base salary	—	—	145,833 ⁽¹⁾	250,000	254,000
Benefits in kind	—	—	544 ⁽¹⁾	1,983	1,491
Bonus	—	—	—	—	20,400
Pension	—	—	7,292 ⁽¹⁾	12,500	12,765
IFRS 2 share-based payment charges	—	—	35,889 ⁽¹⁾	75,441	220,233
	—	—	189,558 ⁽¹⁾	339,924	508,889
C Errington (CEO until 1 June 2015)					
Base salary	150,000	150,000	62,500 ⁽²⁾	—	—
Benefits in kind	1,165	1,334	545 ⁽²⁾	—	—
Bonus	—	—	—	—	—
Pension	7,500	7,500	3,125 ⁽²⁾	—	—
IFRS 2 share-based payment charges	—	—	—	—	—
	158,665	158,834	66,170 ⁽²⁾	—	—
Total	158,665	158,834	255,728	339,924	508,889

(1) Relates to the seven-month period 1 June 2015 to 31 December 2015.

(2) Relates to the five-month period 1 January 2015 to 30 June 2015.

Percentage change in the remuneration of the CEO

The table below sets out the increase in the total remuneration of the CEO and our staff (excluding promotions where relevant) in 2017. We have selected all staff (around 120 people) for this comparison because it is considered to be the most relevant, due to the structure of total remuneration.

	Change in base salary	Bonus payment as % of base salary
CEO (I Manocha)	2.4%	8.0%
All staff	2.4%	4.8%

Performance graphs**Total shareholder return**

The graph opposite shows the total shareholder return for each of the last six financial years in terms of the change in value (with dividends reinvested) of an initial investment of £100 on 31 December 2010 in a holding of the Company's shares against the corresponding total shareholder return in a hypothetical holding of shares in the FTSE TechMark All-Share Index. The FTSE TechMark All-Share was selected as it represents a broad equity market index in which the Company is a constituent member.

Change in CEO pay

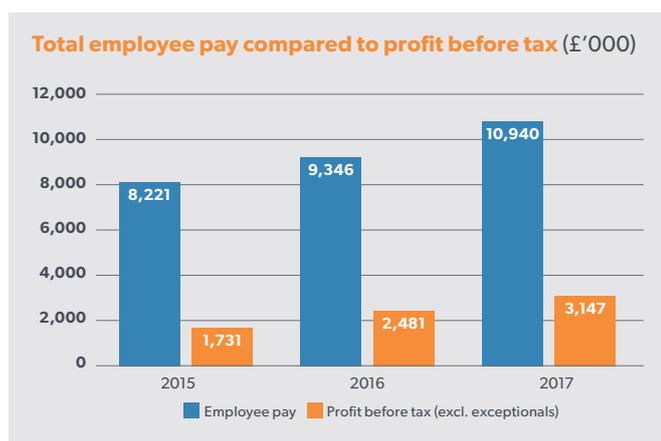
The graph opposite shows the single total figure of remuneration for the role of CEO for the current and previous seven years.

Remuneration report continued

Performance graphs continued

Relative importance of spend on pay

The chart below shows the total employee pay cost compared to profit before tax (for continuing operations and before exceptional items) for the years ended 31 December 2017 and 2016. There were no distributions or share buy backs in the year.



Statement of remuneration policy in the following year

The remuneration policy currently applicable for the year commencing 1 January 2018 is set out above. The committee intends to carry out an independent review of the remuneration policy during 2018 and, subject to appropriate consultation, may propose changes to the remuneration policy, which may include the introduction of a new long-term incentive plan for Executive Directors. Unless any such proposals are approved by shareholders in general meeting, there will be no significant changes in the way the remuneration policy will be implemented in 2018 compared to how it was implemented for the reported year.

Statement in respect of remuneration resolutions at the last AGM.

At the last AGM, held on 4 May 2017, the following resolutions were moved:

Resolution	For ⁽¹⁾	Against	Withheld
Remuneration report	99.99%	0.01%	0.00%
Remuneration policy	99.00%	0.00%	0.01%

(1) Includes votes giving the Chairman discretion.

Consideration of matters relating to Directors' remuneration

The committee is responsible for considering and setting remuneration for all Executive Directors and the Chairman appointed by the Company, including pension rights and provision for compensation payments. In April 2017, Mr R Grubb's base salary was increased by 14% to £140,000, which included a one-off non-inflationary adjustment, which the committee considered to be appropriate and no more than necessary having regard to market conditions. Mr I Manocha's base salary was increased by 2% in April 2017, in line with Group employees. Details of performance-related pay awards for Mr I Manocha and Mr R Grubb are set out above.

The committee considered and made recommendations to the Board regarding remuneration arrangements for Mr T Mullan as incoming Chief Financial Officer. This included consideration of market conditions and the need for appropriate incentivisation to secure the necessary skills and talent, whilst recognising the importance to exercise pay restraint. The committee considers that the overall remuneration awarded to Mr T Mullan is appropriate and fair, and not more than is necessary. Details of Mr T Mullan's remuneration are set out above.

The committee also recommends and monitors the level and structure of remuneration for senior management. The remuneration of Non-Executive Directors is a matter for the executive members of the Board, within limits set in the Articles of Association. The remuneration committee consults with the Chief Executive concerning the remuneration of other Executive Directors. Where appropriate, the committee seeks independent advice from remuneration consultants and also consults with the remainder of the Board.

External advisers

The Group did not appoint any advisers to the remuneration committee in the current or in the previous financial year.

Imogen Joss

Chair of the remuneration committee

12 March 2018

Directors' report

Registered number 1072032

The Directors present their report and the Group financial statements for the year ended 31 December 2017.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic Report. Disclosures in respect of principal risks and uncertainties, people (including employees and disabled employees), global greenhouse gas emissions and product development (incorporating research and development activities) are included within the Strategic Report under section 414(c) of the Companies Act 2006. In addition, note 20 to the financial statements includes the Group's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The statement of corporate governance beginning on page 30 forms part of the Directors' Report.

Directors and officers

The Directors who served on the Board during the year are set out on page 28 (aside from Mr C Errington who resigned with effect from 31 May 2017), all of whom served throughout the year with the exception of Mr A Balchin who was appointed on 15 May 2017 and Mr T Mullan whose appointment is effective 13 March 2018. Mr J Cathie served as Company Secretary throughout the year.

Results and dividends

The Group profit for the year, after taxation, attributable to equity shareholders amounted to £3,801,000 (2016: £2,605,000). A final dividend of 0.5 pence per ordinary share (2016: nil) has been recommended by the Directors. There has been no interim dividend (2016: nil).

If approved by the passing of a resolution at the 2018 Annual General Meeting, it is intended to pay the final dividend on 24 May 2018 to all shareholders on the register at close of business on 13 April 2018. The ex-dividend date will be 12 April 2018.

The profit for the year has been transferred to reserves.

Going concern and viability statement

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

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the Annual Financial Report 2017.

Refer to page 32 for the viability statement required pursuant to Provision C2.2 of the Code.

Post balance sheet events

There were no post balance sheet events.

Significant relationships

In 2017, the Group had one customer relationship considered to be individually significant to the Group. This relates to APAC operations and generates a mix of revenues from the Group's cash management solution, from Clareti, and from other strategic non-recurring revenues. Revenues from this customer relationship individually exceeded 10% of the Group's revenue in 2017. In the opinion of the Directors, the Group does not have any other individually significant relationships.

Directors and their interests

The Directors at 31 December 2017 and their connected persons' interests in the share capital of the Company (all beneficially held, other than with respect to options to acquire ordinary shares which are detailed in the analysis of options included in the Directors' Remuneration Report) are as follows:

	Ordinary shares of 5 pence each	
	31 December 2017	1 January 2017
K Archer	150,000	150,000
I Joss	—	—
A Balchin ⁽¹⁾	—	N/A
C Errington ⁽²⁾	N/A	532,268
I Manocha	75,000	75,000
R Grubb	231,405	231,405

(1) Appointed 15 May 2017.

(2) Resigned 31 May 2017.

There have been no further changes in the Directors' interests disclosed above from 31 December 2017 to 28 February 2018. However, it should be noted that Mr T Mullan is expected to be granted 200,000 share options in the Company upon his appointment to the Board as Executive Director and Chief Financial Officer on 13 March 2018.

Directors' liabilities

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

Directors' report continued

Registered number 1072032

Major interests in shares

The Company has been notified, either directly or in response to a section 793 request made on its behalf, of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 28 February 2018:

	Ordinary shares of 5p each	Percentage held
Schroder Investment Management	8,906,136	13.2%
Kestrel Partners	8,130,705	12.1%
JO Hambro Capital Management	4,900,000	7.3%
Hargreave Hale Investment Managers	4,724,109	7.0%
Majedie Asset Management	3,568,459	5.3%
Herald Investment Management	3,183,774	4.7%
Aberdeen Standard Investment	3,102,676	4.6%
Mrs MA Green	3,073,290	4.6%
Rimmer Worldwide Limited	2,178,091	3.2%

Political donations

No donations were made in 2017 or 2016.

Social and community

No social or community review has been performed for 2017 or 2016.

Special business at the Annual General Meeting

The special business to be conducted at the AGM covers the Directors' authority to allot shares and the partial disapplication of pre-emption rights. Resolutions will be proposed to renew the authorities given to the Directors to allot and grant rights over the unissued share capital up to a maximum nominal amount of £1,124,874 representing one-third of the issued ordinary share capital as at 28 February 2018 and to allot and grant rights over shares for cash up to a maximum nominal amount of £168,731, representing 5% of the issued ordinary share capital as at 28 February 2018, without first making a pro rata offer to all existing shareholders.

Further special business to be conducted at the AGM relates to the renewal of the authority of the Company to make market purchases of its own ordinary shares, and the authority to call meetings (other than Annual General Meetings) on not less than 14 clear days' notice. Resolutions will be proposed in this regard. In relation to the purchase of own shares, the Company's authority will be limited to 6,749,249 ordinary shares which represents 10% of the issued ordinary shares capital of the Company as at 28 February 2018.

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

Additional information for shareholders

At 31 December 2017, the Company's issued share capital comprised:

	Number	Nominal value £	% of total share capital
Ordinary shares of £0.05 each	67,492,497	3,374,625	100%

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

During the year ended 31 December 2017, certain share options granted under the Option Scheme 2010 were exercised and as a result the Group issued 707,979 ordinary shares (2016: 350,000), such shares ranking pari passu with ordinary shares then in issue. See note 22 of the Group financial statements for further details.

Ordinary shares

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

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

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

Significant interests

Directors' interests in the share capital of the Company are shown in the table on 45. Major interests (being those greater than 3%) of which the Company has been notified are shown above.

Change of control

In the event of a change of control of the Company, employee share options granted under the Option Scheme 2010 and the Deferred Share Bonus Plan 2017 will either accelerate vesting, will be rolled over to the acquiring company's shares or will lapse, depending on the circumstances of the change. Further details are provided in note 22 to the Group financial statements.

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

Power of Directors to issue or buy back shares

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

Information to be included in the Annual Financial Report 2017

As part of our requirements under the FCA Listing Rules (LR), the information required to be disclosed by LR 9.8.4 R can be found in the following locations in this Annual Financial Report 2017:

LR 9.8.4 R	Topic	Location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Not applicable
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Page 84
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Page 45
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

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

Auditor

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

Directors' statement as to disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 28. Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

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

On behalf of the Board

Jonathan Cathie

Company Secretary

12 March 2018

Statement of Directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the Annual Financial Report 2017 in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework and applicable law. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that period.

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

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

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

The Directors consider that the Annual Financial Report 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Financial Report 2017 is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR 4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with IFRSs adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Financial Report 2017 includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Ian Manocha
Chief Executive

12 March 2018

Independent auditor's report

Opinion

We have audited the financial statements of Gresham Technologies plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflow, the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union 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 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 16 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 16 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 45 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 32 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Independent auditor's report continued

Key audit matters continued

Development costs (Note 2, Note 13)

Description

As detailed in the accounting policies, development costs are recognised as an intangible asset if specific criteria have been met. Following the evolution of the Clareti product suite, development costs are now attributed to the different products that the Group provides, rather than the Clareti platform in general. Upon completion of development, the costs are amortised to the consolidated income statement over a period ranging from five to 20 years, depending on the product to which they pertain. There are a number of judgements involved in accounting for development expenditure, including whether the activities are appropriate for capitalisation in accordance with the criteria of the standard, the allocation of the development costs to a particular Clareti product and the estimated useful economic life of each product. The risk also encompasses the possibility that the development activities may supersede costs previously capitalised. Due to the level of judgement, there is considered to be an inherent risk of management override.

How we addressed the key audit matter in the audit

We reviewed the Group's accounting policy in this area to ensure that it was in accordance with International Accounting Standard 38. We agreed a sample of capitalised costs to underlying supporting documentation, including timecard entries to corroborate the allocation of cost between products, and checked that the five criteria for capitalisation, as required by the standard, had been met. This included gaining an understanding of the projects from the development team, as well as obtaining evidence of future economic benefits such as customer contracts and pipeline opportunities and critically assessing assumptions such as the level of non-productive time inherent in the development of each product. Furthermore, we specifically reviewed costs capitalised as enhancements to software available for sale, ensured that the enhancements did not supersede existing development costs and determined whether such enhancements met each of the five criteria for capitalisation under the standard.

In respect of enhancements released to the market during the year, we inspected evidence of when the development projects were first available for sale by reference to communication with customers and prospective customers, board minutes and market announcements. Additionally, for enhancements to established software, we reviewed the nature of the new releases, and resultant sales opportunities, to assess whether there was evidence of superseding previous development effort. We performed our own calculation of amortisation charges based on these dates and compared this with management's own calculations. We also challenged the amortisation rates used by management with reference to the term of sales contracts associated with each product and external benchmarking reports of companies operating in the sector, together with internal benchmarking based on legacy software. Sensitivity analysis was then performed on the amortisation rates.

Goodwill and intangible asset impairment risk (Note 2, Note 13, Note 14)

Description

As detailed in the accounting policies, goodwill and capitalised development costs during development are tested for impairment at least annually through comparing the recoverable amount of the cash generating unit, based on a value-in-use calculation, to the carrying value. Furthermore, once available for use, capitalised development costs are tested for impairment where an indicator of impairment arises. Management's review found no evidence of impairment in the Clareti or other cash generating units, nor indicators of impairment in relation to development costs. This risk is considered significant due to the level of judgement involved and the opportunity for management bias within the impairment model assumptions.

How we addressed the key audit matter in the audit

We performed a review of the Group's goodwill and intangible assets and examined for indicators of impairment. We also reviewed impairment reviews prepared by management, specifically reviewing the integrity of management's value in use model and, with the assistance of our valuation specialists, we challenged the key inputs, being forecast growth rates, operating cash flows and the discount rate. Our audit procedures for the review of operating cash flows and forecast growth rates included, amongst others, comparing the forecast to recent financial performance and budgets approved by the Board; we used market data to independently calculate a discount rate for comparison. Cash flows forecast in respect of development projects were assessed for reasonableness against known sales pipeline opportunities. We also performed our own sensitivity analysis upon the key valuation inputs.

Revenue and profit recognition (Note 2, Note 3)

Description

As detailed in the accounting policies, the Group earns revenue from the sale of software licenses, rendering of services, subscriptions and maintenance and solution sales. Management exercise judgement in their assessment of the stage of completion of service contracts and the unbundling of multi-element solution sales, with reference to the fair value of the constituent elements, both of which determine the recognition of revenue and profit and so present a revenue recognition risk.

How we addressed the key audit matter in the audit

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

In particular, we checked a sample of solution sales and assessed the appropriateness of unbundling revenue into separate components along with the fair value of the consideration attributed to each component. We noted one instance during the financial year in which Management exercised significant judgement in estimating the fair value of constituent elements of a solution, the substance of which were considered to differ from the legal form. We assessed this judgement through benchmarking with reference to historic contracts executed by the Group and external sources in relation to the sector.

For the licence element of new contracts, particularly those in close proximity to the year end, we obtained evidence that the software had been delivered to the customer prior to the end of the financial year.

We agreed a sample of sales and, where relevant, underlying time costs to supporting contracts and other documentation, including user acceptance evidence, statements of works and time records.

Our application of materiality

Group materiality: £210,000 (2016: £170,000).

Parent Company materiality: £150,000 (2016: £150,000).

Our Group planning materiality for the financial statements, for both the current and prior years, has been based upon 1% of anticipated consolidated revenue. This determination is based on our view that revenue is a key performance measure for the Group and its members in assessing financial performance. This was compared to adjusted profit before tax – in comparison to which our materiality is 6%. On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 65% of planning materiality, namely £136,000 (2016: 75% and £128,000). Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our planning materiality of £210,000 for the financial statements as a whole. Materiality levels used for each key component ranged from £81,000 to £160,000 (2016: £90,000 to £130,000). Materiality levels have increased in the year to reflect the Group's growth. We agreed with the audit committee that we would report to the committee all audit differences in excess of £8,400 (2016: £7,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

An overview of the scope of our audit

The Group audit team, based in the UK, performed full scope audits of the key reporting components in the UK and North America, comprising 63% of revenues and 75% of profit before tax. The audits of the Asia Pacific region were performed by component auditors, BDO Australia,

with the Group's Australian subsidiary being the significant component in this region. Detailed instructions were issued and discussed with the component auditors, and these covered the significant risks (including the Group risks of material misstatement described above) that should be addressed by the audit team. The Group audit team was actively involved in directing the audit strategy of the Asia Pacific audit, reviewed in detail the findings and considered the impact of these upon the Group audit opinion.

Other information

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable (set out on page 48) – the statement given by the Directors that they consider 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's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Independent auditor's report continued

Other information continued

- Audit committee reporting (set out on page 33) – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code (set out on page 30) – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion 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;
- 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement (set out on page 48), 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.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 28 October 2010 to audit the financial statements for the year ending 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ending 2010 to 2017.

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.

Kim Hayward (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom

12 March 2018

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

Consolidated income statement

	Notes	31 December 2017 £'000	31 December 2016 £'000
Revenue	3,4	21,668	17,156
Cost of sales		(3,283)	(2,984)
Gross profit		18,385	14,172
Adjusted administrative expenses		(14,602)	(11,488)
Adjusted operating profit		3,783	2,684
Adjusting administrative items:			
Exceptional items	4	(90)	(275)
Amortisation on acquired intangibles	13	(410)	(108)
Share-based payments	23	(239)	(117)
		(739)	(500)
Total administrative expenses		(15,341)	(11,988)
Statutory operating profit	4,5	3,044	2,184
Share of post tax loss of joint venture	15	(18)	—
Finance revenue	3,8	33	22
Finance costs	8	(2)	—
Profit before taxation		3,057	2,206
Taxation	9	744	399
Attributable to owners of the Parent	2	3,801	2,605
Earnings per share			
Statutory			
Basic earnings per share – pence	10	5.65	4.06
Diluted earnings per share – pence	10	5.45	3.92
Adjusted			
Basic earnings per share – pence	10	6.75	4.83
Diluted earnings per share – pence	10	6.51	4.67

All activities during the year were continuing.

Consolidated statement of comprehensive income

	31 December 2017 £'000	31 December 2016 £'000
Attributable to the owners of the Parent	3,801	2,605
Other comprehensive (expenses)/income		
Items that will or may be re-classified into profit or loss – exchange differences	(31)	86
Total other comprehensive (expenses)/income	(31)	86
Total comprehensive income for the year	3,770	2,691

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a credit of £6,000 (2016: debit of £17,000).

Consolidated statement of financial position

	Notes	31 December 2017 £'000	31 December 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	590	656
Intangible assets	13	20,479	18,794
Interest in joint venture	15	(18)	—
Deferred tax assets	9	1,894	1,151
		22,945	20,601
Current assets			
Trade and other receivables	17	5,477	4,759
Income tax receivable	17	109	2
Other financial assets – bank deposits	18	200	—
Cash and cash equivalents	18	8,280	7,206
		14,066	11,967
Total assets		37,011	32,568
Equity and liabilities			
Equity attributable to owners of the Parent			
Called up equity share capital	22	3,375	3,340
Share premium account	24	3,562	3,242
Other reserves	24	313	313
Foreign currency translation reserve	24	(10)	21
Retained earnings	24	18,275	14,235
Total equity attributable to owners of the Parent	24	25,515	21,151
Non-current liabilities			
Deferred income	19	592	267
Provisions	19	18	44
Deferred tax liability	9	596	680
Contingent consideration	19, 28	—	378
		1,206	1,369
Current liabilities			
Trade and other payables	19	9,820	9,060
Financial liabilities	19	—	71
Income tax payable	19	47	139
Provisions	19	67	20
Contingent consideration	19, 28	356	758
		10,290	10,048
Total liabilities		11,496	11,417
Total equity and liabilities		37,011	32,568

The financial statements were approved by the Board of Directors and authorised for issue on 12 March 2018.

On behalf of the Board

Ian Manocha
12 March 2018

Rob Grubb
12 March 2018

Consolidated statement of changes equity

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation £'000	Retained earnings £'000	Total £'000
At 1 January 2016		3,164	9	313	(65)	11,513	14,934
Attributable profit for the period		—	—	—	—	2,605	2,605
Other comprehensive expense		—	—	—	86	—	86
Total comprehensive income		—	—	—	86	2,605	2,691
Share issue proceeds	22	158	3,163	—	—	—	3,321
Share transaction costs	22	—	(101)	—	—	—	(101)
Exercise of share options	22	18	171	—	—	—	189
Share-based payment expense	23	—	—	—	—	117	117
At 31 December 2016		3,340	3,242	313	21	14,235	21,151
Attributable profit for the period		—	—	—	—	3,801	3,801
Other comprehensive expense		—	—	—	(31)	—	(31)
Total comprehensive income		—	—	—	(31)	3,801	3,770
Exercise of share options	22	35	327	—	—	—	362
Share transaction costs	22	—	(7)	—	—	—	(7)
Share-based payment expense	23	—	—	—	—	239	239
At 31 December 2017		3,375	3,562	313	(10)	18,275	25,515

Consolidated statement of cashflow

	Notes	31 December 2017 £'000	31 December 2016 £'000
Cashflows from operating activities			
Profit after taxation		3,801	2,605
Depreciation, amortisation and impairment	5	1,855	1,355
Share-based payment expense	23	239	117
Share of post tax loss from joint venture	15	18	—
Increase in trade and other receivables		(781)	(737)
Increase in trade and other payables		495	2,551
Movement in deferred tax provisions		—	1
Movement in provisions		20	21
Fair value adjustment on deferred contingent consideration	28	(69)	—
Loss on disposal of property, plant and equipment		—	32
Net finance income	8	(31)	(22)
Cash inflow from operations		5,547	5,923
Net income taxes (paid)/received		(291)	216
Net cash inflow from operating activities		5,256	6,139
Cashflows from investing activities			
Interest received	8	31	22
Increase in financial assets – bank deposits		(200)	—
Purchase of property, plant and equipment	12	(280)	(508)
Disposal of property, plant and equipment		—	13
Net payments to acquire subsidiary undertaking	28	(711)	(3,014)
Payments to acquire intangible fixed assets	13	(3,199)	(3,779)
Net cash used in investing activities		(4,359)	(7,266)
Cashflows from financing activities			
Interest paid		—	—
Share issue proceeds	23	239	3,510
Share issue transaction costs	22	(7)	(101)
Net cash generated from financing activities		232	3,409
Net increase/(decrease) in cash and cash equivalents		1,129	2,282
Cash and cash equivalents at beginning of year		7,206	4,666
Exchange adjustments		(55)	258
Cash and cash equivalents at end of year	18	8,280	7,206

Notes to the financial statements

1. Authorisation of financial statements and statement of compliance with IFRSs

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

The financial statements of Gresham Technologies plc and its subsidiaries (the Group) for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 12 March 2018 and the Consolidated Statement of Financial Position was signed on the Board's behalf by Mr I Manocha and Mr R Grubb.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2017.

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

2. Accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2017 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The Group's financial statements have been prepared on a historical cost basis, and derivative financial instruments which have been measured at fair value.

No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006. For the year ended 31 December 2017, the Company recorded a retained profit of £683,000 (2016: £665,000).

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

Judgements and key sources of estimation uncertainty

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

Estimates and assumptions

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

Valuation and asset lives of separately identifiable intangible assets

In determining the fair value of intangible assets arising on acquisition, management are required to make judgements regarding the timing and amount of future cashflows applicable to the businesses being acquired,

discounted using an appropriate discount rate. Such judgements are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates and expected changes to selling prices and operating costs. Management estimates the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired.

Capitalised development costs

Development costs are accounted for in accordance with IAS 38 Intangible Assets and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including estimates of the technical and commercial viability of the asset created and its applicable useful economic life. These estimates are continually reviewed and updated based on past experience and reviews of competitor products available in the market.

The capitalised development cost is disclosed in note 13 and the impairment review performed is disclosed in note 14.

Impairment reviews

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

The intangible asset impairment reviews are disclosed in note 14.

Revenue and profit recognition

Revenue and the associated profit are recognised from sale of software licenses, rendering of services, subscriptions and maintenance and solution sales. Whilst in most cases performance obligations clearly follow the commercial and contractual arrangement we have agreed with the customer, in some cases the revenue streams are combined as within an overall commercial arrangement. Such bundling requires judgement to assess performance obligations associated with each revenue stream and further judgement as to when and how such performance obligations have been discharged in order to recognise the associated revenue. The estimation of the stage of completion, along with the unbundling of multi-element solution sales, represents a risk of incorrect revenue recognition.

In considering the unbundling of multi-element solutions, instances may arise whereby the substance of the performance obligations differs from the legal form of the contract. In such circumstances judgement is required to assess the fair value of the constituent elements and recognise revenue accordingly.

Revenue recognised in the period is disclosed in note 3, with further analysis provided in note 4.

Useful economic life of capitalised development costs

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

2. Accounting policies continued

Judgements and key sources of estimation uncertainty continued

Contingent consideration

Contingent consideration relating to acquisitions is included based on management estimates of the most likely outcome. Those judgements include the forecasting of a number of different outcomes against the performance targets and estimating a probability and risk of each outcome before arriving at a risk weighted value of contingent consideration. Further details can be found within note 28 of the financial statements.

Basis of consolidation

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

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the reporting date. Investees are classified as subsidiaries where the Company has control, which is achieved where the Company has the power to govern the financial and operating policies of an investee entity, exposure to variable returns from the investee and the ability to use its power to affect those variable returns. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Foreign currency translation

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

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

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

On transition to IFRSs from 1 January 2004, the exemption available under IFRS 1 was taken to start the currency translation reserve at £nil.

Goodwill

Business combinations on or after 1 January 2004 have been accounted for under IFRS 3 using the purchase method. Any excess of the cost

of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Consolidated Statement of Financial Position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the profit and loss account. Goodwill recognised as an asset as at 31 December 2003 is recorded at its carrying amount under UK GAAP and is not amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at geographical segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the profit and loss account.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it. Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves even if the related investment becomes impaired or the business is disposed of.

Intangible assets

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

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss account in the expense category consistent with the function of the intangible asset.

The Group has capitalised development costs in respect of the Clareti platform which has been assessed against the required capitalisation criteria and a remaining useful economic life of 15 years reflecting the maturity and availability of comparable solutions in our markets. The Group has capitalised development costs in respect of individual Clareti applications which have been individually assessed against the required capitalisation criteria and been individually assigned useful economic lives reflecting the maturity and availability of comparable applications in our markets. These useful economic lives are assessed to be between 5 and 15 years.

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

Notes to the financial statements continued

2. Accounting policies continued**Intangible assets** continued

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

Joint ventures

Joint ventures are entities over which activities we have joint control, under a contractual agreement. The Group financial statements include the Group's share of profit or loss arising from joint ventures. Related party transactions with Group joint ventures primarily comprise support and maintenance services. The arrangement is a separate legal entity and legal ownership and control are equal with all other parties, there are no significant judgements required to be made.

Research and development costs

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

Capitalised product development expenditure is stated at cost less accumulated amortisation and impairment losses. Product development costs that have been capitalised are amortised from the time the product or related enhancement becomes available for use as part of a version release issued to customers on a straight-line basis over five to 15 years depending on the useful economic life of the asset assessed. During the period of development, the asset is tested for impairment annually.

Property, plant and equipment

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

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

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

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

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

Leases**Group as a lessee**

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the profit and loss account so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight-line basis over the lease term.

Group as a lessor

Where the Group has spare capacity in offices held under operating leases and where the head lease permits, the Group sublets space acting in a lessor capacity. The rental income is recognised on a straight-line basis over the lease term and shown separately from the Group's full obligation under the head operating lease.

Impairment of assets

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

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

2. Accounting policies continued

Provisions

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

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

Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as: financial assets at fair value through profit or loss; loans and receivables; held-to maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cashflows that would otherwise be required.

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Such assets are initially valued at fair value and carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or as financial guarantee contracts. Assets are carried in the statement of financial position at fair value with gains or losses recognised in the profit and loss account.

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in administration costs.

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

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

Amounts recoverable on contracts

Amounts recoverable on contracts represent revenue recognised to date less amounts invoiced to clients. Full provision is made for known or anticipated project losses.

Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Statement of Cashflow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Income taxes

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

R&D tax credits are recognised on an accruals basis and recorded as a credit in the taxation line of the Consolidated profit and loss account.

Notes to the financial statements continued

2. Accounting policies continued**Income taxes continued**

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

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

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

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

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

Derecognition of financial assets and liabilities

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

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

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

The fair value of derivative financial instruments is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Pensions

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Revenue recognition

Revenue, comprising sales of products and services to third parties, is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

Software licences

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

- persuasive evidence of an arrangement exists, such as a signed contract or purchase order;
- delivery has occurred and no future elements to be delivered are essential to the functionality of the delivered element;
- the fee is fixed or determinable; and
- collectability is probable.

Rendering of services

Revenue and profits from the provision of professional services, such as implementation, development, training and consultancy, are recognised on a percentage-of-completion basis, as costs incurred relate to total costs for the contract, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably requires management to exercise judgement, whilst calculation of the contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

Subscriptions and maintenance

Revenue from subscription and maintenance services is recognised ratably over the period of the contract.

Solution sales

Contracts for the delivery of solutions with multiple elements, typically involving software licences, rendering of services, subscriptions, maintenance and hardware, are unbundled where possible and revenue is recognised based on the accounting policy applicable to each constituent part.

Where objective unbundling of a solution is not possible, revenue is recognised as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract. Profit is recognised on such contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account revenue and related costs as contract activity progresses.

Interest income

Interest income is recognised as finance revenue as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

2. Accounting policies continued

Pre-contract costs/bid costs

Pre-contract costs are expensed as incurred until the Group is appointed preferred bidder. Preferred bidder status provides sufficient confidence that the conclusion of the contract is probable and the outcome can be reliably measured and is expected to generate sufficient net cash inflows to enable recovery. Pre-contract costs incurred subsequent to appointment as preferred bidder are capitalised onto the balance sheet under prepayments and accrued income. The prepayment is expensed to the profit and loss account in line with the profile of the revenue. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value of awards with a market condition-based performance target is determined by an external valuer using a Monte Carlo simulation pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

Fair value of awards with a financial result-based performance target is determined by management using the Black Scholes pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or

otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the profit and loss account, with a corresponding entry in equity.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account.

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

The Group has taken advantage of the exemption in IFRS 1 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2005.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year.

The following new standards have been adopted and are effective for the current year:

Standard or interpretation	Title	Effective from
IFRS 12	Amendments resulting from the September 2014 – 2016 Cycle (clarifying scope)	1 January 2017
IAS 7	Amendments resulting from the disclosure initiative	1 January 2017
IAS 12	Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017

The adoption of these pronouncements has not impacted the classification or measurement of the Group's assets and liabilities, nor has it resulted in any additional disclosures.

Notes to the financial statements continued

2. Accounting policies continued**New standards and interpretations not applied**

IASB and IFRIC have issued the following relevant standards and interpretations with an effective date after the date of these financial statements:

Standard or interpretation	Title	Effective from
IFRS 2	Amendments to the classification and measurement of share-based payment transactions	1 January 2018
IFRS 3	Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement of previously held interest)	1 January 2019
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	1 January 2018
	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
IFRS 11	Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement of previously held interest)	1 January 2019
IFRS 15	Revenue recognition-Original issue	1 January 2018
IFRS 16	Leases – Original issue	1 January 2019
IAS 12	Amendments resulting from Annual Improvements 2015 -2017 Cycle (income tax consequences of dividends)	1 January 2019
IAS 40	Amendments to transfer of investment property	1 January 2018
IFRS 1 & IAS 28	Amendments resulting from Annual Improvements 2014-2016 Cycle (clarifying certain fair value measurements)	1 January 2018
IAS 28	Amendments regarding long-term interests in associates and joint ventures	1 January 2019
IFRIC 22	Original issue-Foreign currency translations and advance consideration	1 January 2018
IFRIC 23	Original issue-Uncertainty over income tax position	1 January 2019

IFRS 9 Financial Instruments replaces IAS 39. The standard is effective for the Group's first IFRS financial statements for the period beginning on 1 January 2018 and will impact the classification and measurement of financial instruments and will require certain additional disclosures. Whilst an assessment of the new standard is ongoing, the changes to recognition and measurement of financial instruments and changes to hedge accounting rules are not currently considered likely to have any major impact on the Group's current accounting treatment or hedging activities due to the simple nature of our financial instruments.

The standard also requires entities to use an expected credit loss model for impairment of financial assets instead of an incurred credit loss model. This could be expected to impact the way the group provides for bad and doubtful receivables, however the current expectation is that it is unlikely to have a material impact on the overall level of provisions due to the credit worthiness of our customers and procedures and processes carried out before billings. There is no expectation for restatement of any 2017 comparatives within the 2018 Financial Statements.

IFRS 15 Revenue from Contracts with Customers (effective for the Group's first IFRS financial statements for the period beginning on 1 January 2018) replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The standard introduces a single, five-step revenue recognition model that is based upon the principle that revenue is recognised at the point that control of goods or services is transferred to the customer. The standard also updates revenue disclosure requirements.

The Directors have specifically considered the adoption of IFRS 15 on the revenue recognition of the Group's on-premise software subscription contracts, which combine the delivery of software, and support & maintenance services. Under our current policies, we recognise the entire fee rateably over the subscription term.

As part of our review of our future IFRS15 accounting policies, we have considered whether such contracts represent a right to use the software at the point of initial delivery (with license revenue recognisable at that point), or access the software over the contracts applicable term (with license revenue recognised pro rata over the term), irrespective of associated cashflows.

We have concluded these subscription contracts do represent access to the software over the contract term as the fee for the delivery of software and support & maintenance services is fully combined and prepaid amounts would be liable to be refunded without distinction in the event Gresham was unable to fulfil its remaining contracted performance obligations (whether such obligations relate to software or support & maintenance services). We have therefore concluded the fee for the combined delivery of software and support & maintenance services should continue to be recognised rateably over the subscription term under IFRS 15.

2. Accounting policies *continued*

New standards and interpretations not applied *continued*

Whilst the full assessment of the new standard is ongoing, the changes are not currently considered likely to have any major impact on the Group's current accounting treatment or disclosure of revenue.

IFRS 16 Leases (effective for the year ending 31 December 2019) will require all leases to be recognised on the balance sheet. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 supersedes IAS 17 Leases and related interpretations. The Group has a number of operating lease arrangements which we have considered below.

The Directors do not anticipate that the adoption of the IFRS 9, IFRS 15 and remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application as the Group currently apply similar accounting treatment for a number of the standards and with respect to IFRS 9 the Group have minimal financial instruments that would be impacted, and as such do not anticipate any restatement of 2017 results.

The adoption of IFRS 16 will replace IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The main effect on the Group is that IFRS 16 introduces a single lessee accounting model and requires a lessees to recognise assets and liabilities for almost all leases and will therefore result in an increase of total property, plant and equipment and total financial debt of approximately £0.7m. All things being equal, under the new standard trading operating profit and reported EBITDA would increase by approximately £0.4m due to the replacement of the operating lease expense with amortisation of lease assets. This would partially be offset by an interest charge resulting in an insignificant impact on net profit. The Group is currently assessing the precise impact of the standard.

The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRSs as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation, but the need for endorsement restricts the Group's discretion to early adopt standards.

3. Revenue

Revenue from continuing operations disclosed in the profit and loss account is analysed as follows:

	2017 £'000	2016 £'000
Rendering of services	21,668	17,156
Finance revenue	33	22
	21,701	17,178

4. Segment information

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

In addition, split of revenues and non-current assets by the UK and overseas have been included as they are specifically required by IFRS 8 Operating Segments.

For management purposes, the Group is organised into the following reportable segments:

- Clareti Solutions – supply of solutions predominantly to the finance and banking markets across Asia Pacific, EMEA and North America. These solutions include:
 - Clareti Transaction Control: a high performance enterprise data control solution for data validation and real-time transaction matching and reconciliation.
 - Clareti Accounts Receivable Management: a receivables management application with automated matching, reconciliation and allocation to reduce the order-to-cash cycle.
 - Clareti 24 Integration Objects: integration software to enable rapid adoption of financial message standards and transform complex data types.
 - Clareti Loan Control: a front-to-back loan servicing solution that enables effective and auditable management of simple and complex loan portfolios.
- Other Solutions – supply of a range of well-established solutions to enterprise-level customers in a variety of end markets.

Notes to the financial statements continued

4. Segment information continued

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Year ended 31 December 2017	Notes	Other			Adjustments, central and eliminations £'000	Consolidated £'000
		Clareti Solutions £'000	Solutions £'000	Contracting Services £'000		
Revenue						
External customer		11,146	5,752	4,770	—	21,668
Inter-segment		—	—	—	—	—
Total revenue	3	11,146	5,752	4,770	—	21,668
Cost of sales		(449)	(869)	(2,081)	—	(3,399)
Cost of sales capitalised as intangible asset		116	—	—	—	116
Gross profit		10,813	4,883	2,689	—	18,385
		97%	85%	56%	—	85%
Contracting administrative expenses		—	—	(2,038)	—	(2,038)
Gross profit after contracting fully costed		10,813	4,883	651	—	16,347
		97%	85%	14%	—	75%
Adjusted administrative expenses		—	—	—	(12,564)	(12,564)
Adjusted operating profit		10,813	4,883	651	(12,564)	3,783
Adjusting items:						
Exceptional costs		—	—	—	(90)	(90)
Amortisation of acquired intangibles	13	—	—	—	(410)	(410)
Share-based payments	23	—	—	—	(239)	(239)
Adjusting administrative expenses		—	—	—	(739)	(739)
Statutory operating profit		10,813	4,883	651	(13,303)	3,044
Share of post tax loss from joint venture	15					(18)
Interest revenue	8					33
Interest expense	8					(2)
Profit before taxation						3,057
Taxation	9					744
Profit after taxation						3,801
Segment assets						37,011
Segment liabilities						(11,496)

4. Segment information continued

Year ended 31 December 2016	Notes	Clareti Solutions £'000	Other		Adjustments, central and eliminations £'000	Consolidated £'000
			Solutions £'000	Contracting Services £'000		
Revenue						
External customer		7,491	6,901	2,764	—	17,156
Inter-segment		—	—	—	—	—
Total revenue	3	7,491	6,901	2,764	—	17,156
Cost of sales		(566)	(2,070)	(675)	—	(3,311)
Cost of sales capitalised as intangible asset		327	—	—	—	327
Gross profit		7,252	4,831	2,089	—	14,172
		97%	70%	76%	—	83%
Contracting administrative expenses		—	—	(1,678)	—	(1,678)
Gross profit after contracting fully costed		7,252	4,831	411	—	12,494
		97%	70%	15%	—	73%
Adjusted administrative expenses		—	—	—	(9,810)	(9,810)
Adjusted operating profit		7,252	4,831	411	(9,810)	2,684
Adjusting items:						
Exceptional costs		—	—	—	(275)	(275)
Amortisation of acquired intangibles	13	—	—	—	(108)	(108)
Share-based payments	23	—	—	—	(117)	(117)
Adjusting administrative expenses		—	—	—	(500)	(500)
Statutory operating profit		7,252	4,831	411	(10,310)	2,184
Interest revenue	8					22
Interest expense						—
Profit before taxation						2,206
Taxation	9					399
Profit after taxation						2,605
Segment assets						32,568
Segment liabilities						(11,417)

Administrative expenses, segment assets and segment liabilities are shared across the Group and cannot be allocated to operating segments.

The Group has a customer relationship with one banking customer which is considered by the Directors to be individually significant; revenue from this relationship exceeded 10% of the Group's revenue, totalling £7.8m (2016: £4.4m), this revenue includes the low-margin contracting revenue of £4.8m (2016: £2.8m) noted above. The revenue from this customer falls predominantly within the Other Solutions segment.

Exceptional items

	2017 £'000	2016 £'000
Exceptionals		
Acquisition and associated integration costs	77	119
Fair value adjustment to acquisition contingent consideration and tax cost	(59)	—
Advisory fees for establishment of joint venture and all-staff incentive scheme	42	—
Staff costs (recruitment and termination costs)	30	124
Property (office closures)	—	32
	90	275

During the year the Group incurred exceptional costs completing the integration of C24 Technologies Limited; exceptional legal costs associated with the establishment of our joint venture and all-staff incentive scheme; and exceptional recruitment costs associated with the recruitment of a new CFO. These costs totalled £149,000 and are offset by exceptional income arising from the fair value adjustment of the C24 contingent consideration of £59,000, resulting in a net exceptional charge of £90,000 (2016: £275,000).

Notes to the financial statements continued

4. Segment information continued

Geographic information

	2017 £'000	2016 £'000
Revenues from external customers (by destination)		
EMEA	538	333
Austria	466	—
Denmark	843	—
North America	3,562	1,405
UK	7,062	9,310
Australia	8,063	4,683
Asia Pacific	1,134	1,425
	21,668	17,156
	2017 £'000	2016 £'000
Non-current assets		
UK	20,277	18,646
North America	22	37
Asia Pacific	752	767
	21,051	19,450

Non-current assets consist of property, plant and equipment and intangible assets.

EMEA includes revenue from external customers located primarily in Germany and Switzerland.

Asia Pacific includes revenue from external customers located primarily in Malaysia and Singapore.

5. Group trading profit

The Group trading profit is stated after charging/(crediting):

	Notes	2017 £'000	2016 £'000
Research and development costs written off		685	144
Amortisation of deferred development costs recognised in administration expenses	13	974	741
Total research and development costs		1,659	885
Depreciation of property, plant and equipment	12	346	351
Amortisation of intangible assets (excluding development costs)	13	535	263
Total depreciation, impairment and amortisation expense		881	614
Net foreign currency differences – gains		125	41
Operating lease payments			
Minimum lease payments		368	423
Sublease income		(15)	(31)
		353	392

6. Auditor's remuneration

The Group paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Group.

	2017 £'000	2016 £'000
Audit fees		
Audit of the Group financial statements and associated company	21	20
Other fees to the auditor – auditing the accounts of subsidiaries	56	47
	77	67
Non-audit fees		
Corporate taxation compliance services	8	20
Accountancy fees	15	—
Other – Acquisition advice	—	3
	23	23

7. Staff costs and Directors' emoluments

(a) Staff and Director costs

	Income statement £'000	Development capitalised £'000	Total excluding contracting £'000	Contracting costs expensed £'000	Total £'000
31 December 2017					
Wages and salaries	6,969	2,313	9,282	1,658	10,940
Social security costs	509	241	750	166	916
Other pension costs	307	93	400	99	499
	7,785	2,647	10,432	1,923	12,355
	Income statement £'000	Development capitalised £'000	Total excluding contracting £'000	Contracting costs expensed £'000	Total £'000
31 December 2016					
Wages and salaries	5,460	2,513	7,973	1,373	9,346
Social security costs	548	267	815	67	882
Other pension costs	204	83	287	130	417
	6,212	2,863	9,075	1,570	10,645

Included in wages and salaries is a total expense of share-based payments of £239,000 (2016: £117,000) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was made up as follows:

	2017	2016
Management	9	8
Sales and administration	27	24
Technical	91	85
Total Gresham	127	117
Contracting services	18	14

(b) Directors' emoluments

	2017 £'000	2016 £'000
Directors' emoluments		
Remuneration	551	524
Social security costs	68	68
Performance-related bonus	32	—
Pension	19	18
Share-based payments	220	75
	890	685
Number of Directors accruing benefits under defined contribution schemes	2	2

Share-based payments in respect of Directors include the cumulative effect of updates to the assumptions used within the Black Scholes model that calculates the share-based payment charge recorded.

8. Finance revenue and costs

	2017 £'000	2016 £'000
Finance revenue		
Bank interest receivable	33	22
Total finance revenue	33	22
Finance costs		
Other bank charges	2	—
Total finance costs	2	—

Notes to the financial statements continued

9. Taxation**(a) Tax on loss on ordinary activities**

Tax credited in the income statement

	2017 £'000	2016 £'000
Current income tax		
Overseas tax charge – adjustment to previous years	53	22
Overseas tax charge – current year	50	140
UK corporation tax (credit)/charge – adjustment to previous years	(20)	166
UK corporation tax credit – current year	—	—
Total current income tax	83	328
Deferred income tax		
(Recognition) of deferred tax asset	(827)	(863)
Tax rate change adjustments	—	136
Total deferred income tax	(827)	(727)
Total credit in the income statement	(744)	(399)

(b) Reconciliation of the total tax charge

The tax credit in the income statement for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20.0%). The differences are reconciled below:

	2017 £'000	2016 £'000
Profit before taxation	3,057	2,206
Accounting profit multiplied by the UK standard rate of corporation tax of 19.25%/20.0%	588	441
Income/expenses not deductible/(taxable) for tax purposes	160	43
Differences in tax rates	84	85
Overseas tax credit – adjustment to previous years	53	22
R&D tax credit – previous year	—	122
R&D enhanced relief	(1,277)	(1,604)
Movement in unrecognised losses carried forward	(388)	(1,307)
Movement in unrecognised temporary differences	451	2,200
Movement in unrecognised fixed asset temporary differences	129	15
Temporary difference on share-based payments	(459)	(552)
Temporary movement on acquired intangibles	(85)	—
Tax rate change adjustments	—	136
Total tax credit reported in the income statement	(744)	(399)

(c) Unrecognised tax losses

The Group has tax losses that are available indefinitely for offset against future taxable profits of the companies in which the losses arose as analysed in (e) below. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss making for some time.

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a credit of £6,000 (2016: debit of £17,000).

(d) Temporary differences associated with Group investments

At 31 December 2017, there was no recognised deferred tax liability (2016: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries for which deferred tax liability has not been recognised aggregate to £nil (2016: £nil).

9. Taxation continued

(e) Deferred tax

Recognised deferred tax

	2017 £'000	2016 £'000
1 January	1,151	239
Movement in the period – Losses	640	(2,339)
– Share-based payments timing differences	421	(552)
– Other timing differences	(348)	3,884
– Fixed asset timing differences	30	(145)
Acquired on acquisition of subsidiary undertaking	—	200
Impact of change in tax rate	—	(136)
31 December	1,894	1,151
Comprising:		
Temporary differences	(1,128)	(1,231)
Tax losses	3,022	2,382
31 December	1,894	1,151

A deferred tax credit of £322,000 (2016: £1,048,000) has been recognised in the year in respect of tax losses and capital allowances in excess of depreciation and other temporary differences.

Deferred tax liability

	2017 £'000	2016 £'000
Intangible asset acquired on acquisition	596	680
Comprising:		
1 January	680	—
Recognised in the income statement	(84)	—
Acquisition of intangibles in subsidiaries	—	680
31 December	596	680

Unrecognised potential deferred tax assets

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

	2017 £'000	2016 £'000
Temporary differences	(87)	159
Tax losses	621	1,009
Unrecognised deferred tax asset	534	1,168
Gross temporary differences unrecognised	(289)	530
Gross tax losses unrecognised	2,588	3,750
Gross temporary timing differences unrecognised	2,299	4,280

Future tax rates

The main rate of corporation tax for UK companies reduced from 21% to 20% from 1 April 2015. Finance Bill 2015, which was substantively enacted on 26 October 2015, announced further reductions to the main rate of corporation tax. The rate will reduce to 19% from 1 April 2017 and by a further 1% to 18% from 1 April 2020. The Finance Act 2016 was approved on 15 September 2016. The Act reduces the main rate of corporation tax to 17% from 1 April 2020 (superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015).

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

	2017	2016
UK	17%/19%	17/20%
Australia	30%	30%
US	40%	40%

Notes to the financial statements continued

10. Earnings**Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to owners of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares except when such dilutive instruments would reduce the loss per share.

The following reflects the earnings and share data used in the basic and diluted earnings per share computations:

		31 December 2017	31 December 2016
Basic weighted average number of shares		67,276,136	64,223,010
Dilutive potential ordinary shares		—	—
Employee share options – weighted (note 23)		2,488,515	2,198,808
Diluted weighted average number of shares		69,764,651	66,421,818
		31 December 2017	31 December 2016
	Notes	£'000	£'000
Adjusted earnings attributable to owners of the Parent		4,540	3,105
Adjusting items:			
Exceptional items	4	(90)	(275)
Amortisation of acquired intangibles	13	(410)	(108)
Share-based payments	23	(239)	(117)
Statutory earnings attributable to owners of the Parent		3,801	2,605
Earnings per share			
Statutory			
Basic earnings per share – pence		5.65	4.06
Diluted earnings per share – pence		5.45	3.92
Adjusted			
Basic earnings per share – pence		6.75	4.83
Diluted earnings per share – pence		6.51	4.67

Adjusted EBITDA earnings

		31 December 2017	31 December 2016
	Notes	£'000	£'000
Adjusted EBITDA			
Profit before tax		3,057	2,206
Adjusting items:			
Exceptional items	4	90	275
Amortisation on intangibles	13	1,509	1,004
Depreciation on P, P&E	12	245	224
Loss on disposal		—	32
Share-based payments	23	239	117
Interest received	3,8	(31)	(22)
Adjusted EBITDA		5,109	3,836

During the year ended 31 December 2017, share options granted under the 2010 Share Option Plans were exercised and the Group issued 707,979 (2016: 350,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this Annual Financial Report 2017.

11. Dividends paid and proposed

No dividends were declared or paid during the year. The Company will be proposing a first dividend for approval at the AGM for the year ended 31 December 2017 (2016: nil).

12. Property, plant and equipment

	Fixtures and fittings £'000	Plant and equipment £'000	Total £'000
31 December 2017			
Cost			
At 1 January	745	1,058	1,803
Additions	—	280	280
Disposals	—	(34)	(34)
Exchange adjustment	—	(3)	(3)
At 31 December	745	1,301	2,046
Depreciation and impairment			
At 1 January	(409)	(738)	(1,147)
Charge for year	(138)	(208)	(346)
Disposals	—	34	34
Exchange adjustment	—	3	3
At 31 December	(547)	(909)	(1,456)
Net carrying amount			
At 31 December	198	392	590
At 1 January	336	320	656
31 December 2016			
Cost			
At 1 January	583	841	1,424
Additions	239	268	507
Additions acquired as part of business combination	1	—	1
Disposals	(100)	(99)	(199)
Exchange adjustment	22	48	70
At 31 December	745	1,058	1,803
Depreciation and impairment			
At 1 January	(339)	(586)	(925)
Charge for year	(141)	(210)	(351)
Disposals	81	92	173
Exchange adjustment	(10)	(34)	(44)
At 31 December	(409)	(738)	(1,147)
Net carrying amount			
At 31 December	336	320	656
At 1 January	244	255	499

Notes to the financial statements continued

13. Intangible assets

31 December 2017	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition		Goodwill £'000	Total £'000
			Software £'000	Customer relationships £'000		
Cost						
At 1 January	18,843	1,745	3,067	866	2,329	26,850
Additions	3,148	51	—	—	—	3,199
Disposals	(4,482)	(870)	—	—	—	(5,352)
Exchange adjustment	(6)	(3)	—	—	(6)	(15)
At 31 December	17,503	923	3,067	866	2,323	24,682
Amortisation and impairment						
At 1 January	(6,288)	(1,410)	(79)	(29)	(250)	(8,056)
Charge for year	(974)	(125)	(304)	(106)	—	(1,509)
Eliminated on disposal	4,482	870	—	—	—	5,352
Exchange adjustment	6	4	—	—	—	10
At 31 December	(2,774)	(661)	(383)	(135)	(250)	(4,203)
Net carrying amount						
At 31 December	14,729	262	2,684	731	2,073	20,479
At 1 January	12,555	335	2,988	837	2,079	18,794

31 December 2016	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition		Goodwill £'000	Total £'000
			Software £'000	Customer relationships £'000		
Cost						
At 1 January	15,112	1,673	—	—	876	17,661
Additions	3,690	89	—	—	—	3,779
Additions acquired as part of business combination	—	—	3,067	866	1,376	5,309
Disposals	—	(31)	—	—	—	(31)
Exchange adjustment	41	14	—	—	77	132
At 31 December	18,843	1,745	3,067	866	2,329	26,850
Amortisation and impairment						
At 1 January	(5,506)	(1,257)	—	—	(250)	(7,013)
Charge for year	(741)	(155)	(79)	(29)	—	(1,004)
Eliminated on disposal	—	12	—	—	—	12
Exchange adjustment	(41)	(10)	—	—	—	(51)
At 31 December	(6,288)	(1,410)	(79)	(29)	(250)	(8,056)
Net carrying amount						
At 31 December	12,555	335	2,988	837	2,079	18,794
At 1 January	9,606	416	—	—	626	10,648

Development costs

Development costs are internally generated and are capitalised at cost. These intangible assets have been assessed as having a finite life and are amortised on a straight-line basis over their useful lives of five to 15 years. These assets are tested for impairment where an indicator of impairment arises and annually prior to them being made available for use. Development costs have remaining lives between 5 and 15 years.

For the year ended 31 December 2017 the Group has capitalised development costs in respect of individual Clareti applications which have been individually assessed against the required capitalisation criteria and been individually assigned useful economic lives reflecting the maturity and availability of comparable applications in our markets. These useful economic lives are assessed to be between 5 and 15 years.

No changes have been made to development costs capitalised in prior years in respect of the Clareti platform, which continue to be amortised on a systematic basis over the existing useful economic life of 15 years.

13. Intangible assets *continued*

Patents and licences

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

Separately identified acquired intangibles

Separately identified intangibles acquired through business combinations represent software and customer relationships which arose through the acquisition of C24 Technologies Ltd in October 2016.

Software is amortised over its useful economical life, which is deemed to be ten years.

Customer relationships acquired in the year are amortised over the useful economical life, which is deemed to be eight years.

Goodwill

Goodwill arose on the acquisition of our Asia Pacific real-time financial solutions business and C24 Technologies Ltd. It is assessed as having an indefinite life and is assessed for impairment at least annually.

14. Impairment of goodwill and intangibles

Goodwill

Goodwill acquired through business combinations has been allocated to one individual cash-generating unit ("CGU"), the lowest level at which goodwill is monitored for internal management purposes, for impairment testing.

Carrying amount of goodwill

	2017 £'000	2016 £'000
Clareti Solutions CGU	2,073	1,224

Development costs (finite life)

Development costs are reviewed for impairment on an annual basis prior to being made available for use, or sooner where an indicator of impairment exists. The following table summarises the net book value of development costs:

	2017 £'000	2016 £'000
Clareti Solutions CGU	14,729	12,555

Clareti Solutions cash-generating unit

The recoverable amount of this CGU has been determined based on a value-in-use calculation. To calculate this, cashflow projections are based on financial budgets approved by the Board for 2018, which are extrapolated for five years, and extended beyond five years, which the Board considers appropriate given the long-term opportunities that exists in the Asia Pacific, EMEA and North American regions. The discount rate applied to cashflow projections is 15% (2016: 15%) and cashflows beyond the five-year period are extrapolated using a 2% growth rate (2016: 2%) that is a prudent approximation to the long-term average growth rate for the region in which the CGU operates.

Key assumptions used in the value-in-use calculations

Key assumptions are made by management based on past experience taking into account external sources of information around gross margins, growth rates and discount rates for similar businesses.

The calculation of value in use is most sensitive to assumptions around:

- operating cashflows, based on financial budgets for 2018 approved by the Board;
- growth rates, based on internally estimated growth rates for the market and the business offerings; and
- the discount rate, based on the pre-tax weighted average cost of capital of the Group.

Notes to the financial statements continued

14. Impairment of goodwill and intangibles continued**Development costs (finite life)** continued**Sensitivity to changes in assumptions**

A change in our key assumption in respect to operating cashflows could cause the carrying value of the goodwill or development costs to exceed the recoverable amount, resulting in an impairment charge.

We are confident the assumptions in respect of operating cashflows remain appropriate. Where the operating cashflows incorporate products or solutions that will be sold in an existing known market, past experience is used as a guide to the level of sales achievable, growth rates and associated margins. Where the operating cashflows relate to products or solutions that will be sold into a new or emerging market, past experience with similar products or solutions is combined with relevant information from external market sources, such as competitor pricing and discussions with potential customers, in arriving at the level of sales achievable, growth rates and associated margins.

15. Equity accounted investees

The Group holds an interest in one joint venture and exercises joint control.

The Group's share of loss after tax in its equity accounted investees for the year was £18,000.

The carrying value of the investment is reconciled as follows:

	2017 £'000	2016 £'000
1 January	—	—
Share of post tax loss of joint ventures retained	(18)	—
31 December	(18)	—

Related party transactions with joint ventures

	Transaction value £'000	Balance outstanding £'000
Support and maintenance services provided to joint venture	270	—

All outstanding balances with joint venture are priced at arm's length basis and are settled in cash within three months.

Summary of financial information for equity accounted investees, adjusted for the percentage ownership held by the Group:

31 December 2017	Ownership	Current assets £'000	Current liabilities £'000	Net assets £'000		
Net assets						
GMS Loan Technologies Limited	50%	—	(18)	(18)		
	Ownership	Revenue £'000	Expenses £'000	Operating loss £'000	Taxation £'000	Loss after tax £'000
Income Statement						
GMS Loan Technologies Limited	50%	113	(135)	(22)	4	(18)

16. Investments

Details of Group undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

Name of subsidiary company	Registered address	Holding (shares)	Proportion of voting rights and shares held	Nature of business
Gresham Technologies (UK) Limited ⁽⁴⁾	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Solutions) Limited ⁽⁵⁾	Aldermay House, London, England	Ordinary	100%	Software solutions
C24 Technologies Limited	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Australia) Pty Limited ^(3,6)	Level 6, 1 Pacific Highway, North Sydney, Australia	Ordinary	100%	Software solutions
Gresham Computing Sdn Bhd ⁽¹⁾	Level 7, Menara Milenium, Jalan Damanlela, Malaysia	Ordinary	100%	Software solutions
Gresham Computing Pte. Limited	138 Cecil Street, Cecil Court, Singapore	Ordinary	100%	Software solutions
Gresham Technologies (US) Inc ^(1,3,7)	25 Broadway, New York, USA	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc ⁽³⁾	25 Broadway, New York, USA	Ordinary	100%	Software solutions
GMS Loan Technologies Limited	Aldermay House, London, England	Ordinary	50%	Software solutions
Gresham Consultancy Services Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Tech Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Telecomputing Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Circa Business Systems Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Cheerkeep Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant

(1) Held by a subsidiary undertaking.

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

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

(4) Name changed from Gresham Computer Services Limited on 17 January 2018.

(5) Name changed from Gresham Financial Services Limited on 4 January 2018.

(6) Name changed from Gresham Computing Pty Limited on 4 January 2018.

(7) Name changed from Gresham Computing Inc on 1 January 2018.

In December 2016 Gresham established a newly formed company GMS Loan Technologies Limited in partnership with an existing customer partner to exploit the Group's Clareti Loan Control technology developed in 2016 in conjunction with this partner. The arrangement is a joint venture, with both parties holding an equal legal interest and exercising joint control. GMS Loan Technologies Limited did not trade in the year ended 31 December 2016 and began its commercial activities in January 2017.

17. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	3,964	2,499
Provision for impairment	—	—
Trade receivables – net	3,964	2,499
Prepayments and accrued income	1,513	2,260
	5,477	4,759
	2017	2016
	£'000	£'000
Income tax	109	2

Notes to the financial statements continued

17. Trade and other receivables continued

Trade receivables are denominated in the following currencies:

	2017 £'000	2016 £'000
Sterling	1,199	1,438
Euro	1,294	18
US Dollar	375	540
Singapore	2	3
Canadian Dollar	107	—
Australian Dollar	984	468
Malaysian Ringgit	3	32
Total trade receivables	3,964	2,499

Trade receivables are non-interest bearing and are generally on 30–60 days' terms and are shown net of a provision for impairment.

At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £'000	Due not impaired £'000	Past due but not impaired				
			<30 days £'000	30-60 days £'000	60-90 days £'000	90-120 days £'000	>120 days £'000
2017	3,964	2,386	1,362	96	77	43	—
2016	2,499	1,451	909	136	3	—	—

The Group's customers primarily comprise national and international banks, Government bodies and substantial private and public companies. As a result, the credit quality of trade receivables that are neither past due nor impaired has been assessed by the Directors to be relatively high, taking account of a low historic experience of bad debts and relatively good ageing profiles.

18. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	8,280	7,206

Cash at bank earns interest at both fixed-term rates and floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is the same as stated above.

At 31 December 2017, the Group had £nil (2016: £nil) of undrawn committed borrowing facilities and £200,000 of bank deposit (2016: £nil). The bank deposits mature on 29 March 2018 and have an interest rate of 0.8% per annum.

For the purpose of the Consolidated Statement of Cashflow, cash and cash equivalents comprises cash at bank and in hand and short-term deposits.

19. Trade, other payables, provisions and financial liabilities**Trade and other payables**

Trade payables, other payables and deferred income are non-interest bearing.

Current

	2017 £'000	2016 £'000
Trade payables	789	753
Other payables	1,881	1,929
Deferred income	7,150	6,378
	9,820	9,060
	2017 £'000	2016 £'000
Financial liabilities – forward foreign currency contract (current)	—	71
	2017 £'000	2016 £'000
Income tax payable	47	139

19. Trade, other payables, provisions and financial liabilities continued

Trade and other payables continued

Non-current

	2017 £'000	2016 £'000
Deferred income	592	267
Provisions		
		Property provisions
	2017 £'000	2016 £'000
At 1 January		
– Current	20	19
– Non-current	44	24
	64	43
Amounts provided during the year	21	26
Amounts utilised in the year	—	(5)
Amounts released during the year	—	—
At 31 December		
– Current	67	20
– Non-current	18	44
	85	64

Property provisions

The restructuring provision relates to the Group's property portfolio and the resulting lease liabilities, comprising end of lease dilapidation costs and empty property costs. The provision has been discounted using a range of rates from 0.25% to 5%, which the Directors consider to be the relevant pre-tax risk-based rate applicable to the liability.

Contingent Consideration

	2017 £'000	2016 £'000
		C24 Acquisition
At 1 January		
– Current	758	—
– Non-current	378	—
	1,136	—
Arising on acquisitions	—	1,136
Adjustment due to lower achievement of performance obligations	(69)	—
Amounts paid during the year	(711)	—
At 31 December		
– Current	356	758
– Non-current	—	378
	356	1,136

20. Obligations under leases

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties that have an average minimum duration of between one and five years. There are no unusual restrictions placed upon the lessee by entering into these leases.

Notes to the financial statements continued

20. Obligations under leases continued**Operating lease agreements where the Group is lessee** continued

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000	Land and buildings 2016 £'000	Other 2016 £'000	Total 2016 £'000
Not later than one year	295	—	295	304	—	304
After one but not more than five years	751	—	751	453	—	453
More than five years	61	—	61	—	—	—
	1,107	—	1,107	757	—	757

Operating lease agreements where the Group is lessor

The Group has entered into commercial leases as lessor on Australian and US properties. There are no unusual restrictions placed upon the lessor by entering into these leases.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000	Land and buildings 2016 £'000	Other 2016 £'000	Total 2016 £'000
Not later than one year	—	—	—	17	—	17
After one but not more than five years	—	—	—	—	—	—
	—	—	—	17	—	17

21. Financial instruments**Objectives, policies and strategies**

The Group's objective is to finance the business through management of existing liquidity, focusing on working capital acceleration to cash and converting illiquid assets to liquid assets and, ultimately, cash. Investments in intangible fixed assets, property, plant and equipment have been made with the benefit of research and development tax credits taken as cash.

The Group's policy towards using financial instruments is to manage credit, liquidity and currency exposure risk without exposing the Group to undue risk or speculation. The policy is kept under review by the Directors according to the Group's foreign exchange and treasury policy.

Risk management

The risks arising from the Group's operations and financial instruments are explained below.

Credit management

The Group monitors exposure to credit risk on an ongoing basis. The risk of financial loss due to a counterparty failure to honour its obligations arises principally in relation to transactions where the Group provides solutions and services on deferred terms and where it invests or deposits surplus cash.

Group policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. Solutions and services may be sold on a cash-with-order basis to mitigate credit risk. Bad debt insurance is not carried.

Performance of individual businesses is monitored at both operating unit and Group level allowing the early identification of major risks and reducing the likelihood of an unmanaged concentration of credit risk.

Cash investments are only allowed in liquid securities with major financial institutions that satisfy specific criteria. The maximum credit risk exposure at the statement of financial position date is represented by the carrying value of financial assets. There are no significant concentrations of credit risk.

Interest rate risk

The Group has limited exposure to interest rate risk since it has no bank borrowings and interest receivable on cash deposits does not form a material part of Group income.

21. Financial instruments continued

Capital risk

The Group defines its capital as the Group's total equity and manages capital based on the level of net cash held. Its objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, to provide an adequate return to investors based upon the level of risk undertaken, to have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefit to investors and to maintain sufficient financial resources to mitigate risks and unforeseen events.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to provide additional capital.

Financial liabilities – by maturity

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

	Less than one year £'000	Between one to two years £'000	Between two and five years £'000
Year ended 31 December 2017			
Contingent consideration	356	—	—
Provisions	67	18	—
	423	18	—
Year ended 31 December 2016			
Contingent consideration	758	378	—
Provisions	20	37	—
	778	415	—

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

Liquidity risk

The Group's liquidity risk falls within the following major categories:

- Trade receivables – a significant element of the Group's liquidity is tied up in working capital, which primarily comprises trade receivables. The settlement risk associated with these assets comprises both credit risk (the risk that the counterparty will not settle at all) and liquidity risk (the risk that the counterparty will not settle on time).
- Property, plant and equipment – a significant element of the Group's liquidity is tied up in tangible fixed assets. For those assets required in the business for day to day operations, the Group considers the use of finance lease arrangements to reduce the amount of liquidity tied up in such assets. The Group keeps its investment in fixed assets under review and actively considers converting such assets to more liquid assets.
- Currency risk – this risk is discussed on page 83.

The Group monitors and controls liquidity through the following key controls:

- weekly cash and overdue trade receivables are reported to the Executive Board;
- cash forecasts are maintained;
- foreign exchange risks are hedged where significant; and
- credit control is operated locally with Group oversight.

Where appropriate, discounts are offered for early payment by customers and finance lease and deferred payment arrangements are considered to retain or improve liquidity.

Notes to the financial statements continued

21. Financial instruments continued**Categories of financial assets and liabilities**

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

	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
Year ended 31 December 2017				
Financial assets				
Trade receivables	3,964	—	—	3,964
Accrued income	645	—	—	645
Deposits	200	—	—	200
Cash and cash equivalents	8,280	—	—	8,280
	13,089	—	—	13,089
Financial liabilities				
Trade payables	—	—	789	789
Other payables	—	—	1,332	1,332
Provisions	—	—	85	85
Contingent consideration	—	356	—	356
	—	356	2,206	2,562
Year ended 31 December 2016				
Financial assets				
Trade receivables	2,499	—	—	2,499
Accrued income	1,142	—	—	1,142
Cash and cash equivalents	7,206	—	—	7,206
	10,847	—	—	10,847
Financial liabilities				
Trade payables	—	—	753	753
Other payables	—	—	1,432	1,432
Provisions	—	—	64	64
Foreign exchange instrument	—	71	—	71
Contingent consideration	—	1,136	—	1,136
	—	1,207	2,249	3,456

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2017 the Group held no foreign exchange instrument, in 2016 the Group held three foreign exchange instruments that had been measured at fair value using Level 2 techniques.

Financial liabilities relate to derivative financial instruments which have a negative fair value. Fair value is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

21. Financial instruments continued

Currency risk

The Group has exposures to the main currency types: US Dollar, Australian Dollar, Malaysian Ringgit, Canadian Dollar and Euro rates in particular.

Currency exposure arises through intra-group loans and trading balances throughout all Group locations. Natural hedging is employed, to the extent possible, to minimise net exposures; however, where significant exposures arise outside of intra-group trading, it is Group policy to enter into formal hedging arrangements where these can be shown to be effective.

At 31 December 2017, the Group had no foreign currency forward contracts (2016: Liability £71,000):

Currency exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved. In general, all overseas operating units trade and hold assets and liabilities in their functional currency.

Sensitivities

The following table details the Group's sensitivities to a change in Sterling exchange rates against the respective foreign currencies. The sensitivities represent management's assessment of the effect on monetary assets of the possible changes in foreign exchange rates, which for 2017 and 2016 take account of the potential fluctuations seen in the most recent periods. The sensitivity analysis of the Group's exposure to foreign currency risk at the year end has been determined based on the assumption that the change is effective throughout the financial year and all other variables remain constant. The impact of translating the net assets of foreign operations into Sterling is excluded from the sensitivity analysis.

A positive number indicates an increase in profit after taxation and other components of equity where Sterling weakens against the respective currencies.

	Increase/decrease in exchange rates	Effect on profit before tax £'000
2017		
Euro	+20%	(270)
	-20%	405
Australian Dollar	+20%	(614)
	-20%	920
US Dollar	+20%	(455)
	-20%	683
Canadian Dollar	+20%	(63)
	-20%	95
Malaysian Ringgit	+20%	(27)
	-20%	41
Singapore Dollar	+20%	(2)
	-20%	2
	Increase/decrease in exchange rates	Effect on profit before tax £'000
2016		
Euro	+20%	(53)
	-20%	79
Australian Dollar	+20%	(444)
	-20%	666
US Dollar	+20%	(347)
	-20%	520
Malaysian Ringgit	+20%	(36)
	-20%	54
Singapore Dollar	+20%	(10)
	-20%	16

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

Notes to the financial statements continued

22. Issued share capital

Ordinary shares allotted, called up and fully paid	Number	Nominal value £'000
At 1 January 2016	63,270,978	3,164
Exercise of share options (see note 23)	350,000	18
Share issue	3,163,540	158
At 31 December 2016	66,784,518	3,340
Exercise of share options (see note 23)	707,979	35
At 31 December 2017	67,492,497	3,375

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

During the year ended 31 December 2017, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 707,979 (2016: 350,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details.

At 31 December 2017 and 2016 there were outstanding options granted to acquire ordinary shares in the Company. See note 23 for further details.

There are no preference shares in issue (2016: none).

An explanation of the Group's capital management process and objectives is set out in the discussion of capital management on page 21 in the Strategic Report and capital risk disclosures in note 21.

23. Share-based payments

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

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

Share Option Schemes 2010

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

- the Gresham Technologies plc Enterprise Management Incentive Plan 2010;
- the Gresham Technologies plc Unapproved Share Option Plan 2010; and
- the Gresham Technologies plc Non-Employee Share Option Plan 2010.

As its name implies, the EMI Plan operates as an enterprise management incentive scheme complying with the EMI Code and accordingly being entitled to certain beneficial tax treatment.

The Unapproved Plan enables the remuneration committee to grant share options in excess of the limits applicable under the EMI Code and/or to employees of the Group who do not qualify for EMI treatment.

The Non-Employee Plan enables the remuneration committee to grant share options to persons whose services are made available to the Group without an employment relationship.

The remuneration committee is responsible for administering the Share Option Schemes 2010, and may grant options to acquire ordinary shares to any employees and Directors of the Group, and retains discretion to impose exercise performance conditions as appropriate. Options are granted free of charge and are non-transferable.

The exercise price per ordinary share is determined by the remuneration committee but will not be less than 110% of the middle market price for the dealing day immediately preceding the date of grant of the relevant option.

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

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

At 31 December 2017, 26 participants held awards under this scheme (2016: 29).

23. Share-based payments continued

Share Option Schemes 2010 continued

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2017, including those noted in the Directors' Remuneration Report, are as follows:

Share Option Schemes 2010 (options)	2017 Number	WAEP (pence)	2016 Number	WAEP (pence)
Outstanding at 1 January 2017	5,325,500	65	5,620,500	64
Granted during the year	235,000	1	100,000	1
Forfeited during the year	—	—	(45,000)	69
Exercised during the year	(707,979)	51	(350,000)	54
Outstanding at 31 December 2017	4,852,521	74	5,325,500	65
Exercisable at 31 December 2017	3,017,521	45	3,725,500	46
Weighted average remaining contractual life (years)	5.16		5.80	

During the year 707,979 options were exercised during the period when the Company share price was 155 pence and 185 pence.

No price is payable on award of share options.

Outstanding options and awards to subscribe for ordinary shares of 5 pence at 31 December 2017, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates, are as follows:

31 December 2017	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
Share Option Schemes 2010	1,972,500	31-Dec-10	0.2805	31-Dec-13	31-Dec-20	553,286
	38,000	05-Aug-11	0.5803	05-Aug-14	05-Aug-21	22,051
	544,521	06-Apr-12	0.6424	06-Apr-15	06-Apr-22	349,800
	85,000	23-May-12	0.6105	23-May-15	23-May-22	51,893
	45,000	15-Aug-12	0.6850	15-Aug-15	15-Aug-22	30,825
	282,500	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	272,048
	50,000	07-Oct-13	1.3230	07-Oct-16	07-Oct-23	66,150
	1,500,000	01-Jun-15	1.1057	01-Jun-18	01-Jun-25	1,658,580
	50,000	21-Jun-16	1.0945	21-Jun-19	21-Jun-26	54,725
	50,000	29-Nov-16	1.2434	29-Nov-19	29-Nov-26	62,172
	140,000	20-Mar-17	1.7352	20-Mar-20	20-Mar-27	242,928
	50,000	19-Oct-17	2.2550	19-Oct-20	19-Oct-27	112,750
	45,000	28-Nov-17	2.1505	28-Nov-20	28-Nov-27	96,773
	4,852,521					3,573,981

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2016, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates, are as follows:

31 December 2016	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
Share Option Schemes 2010	2,317,500	31-Dec-10	0.2805	31-Dec-13	31-Dec-20	650,059
	38,000	05-Aug-11	0.5803	05-Aug-14	05-Aug-21	22,051
	750,000	06-Apr-12	0.6424	06-Apr-15	06-Apr-22	481,800
	100,000	23-May-12	0.6105	23-May-15	23-May-22	61,050
	90,000	15-Aug-12	0.6850	15-Aug-15	15-Aug-22	61,650
	380,000	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	365,940
	50,000	07-Oct-13	1.3230	07-Oct-16	07-Oct-23	66,150
	1,500,000	01-Jun-15	1.1057	01-Jun-18	01-Jun-25	1,658,580
	50,000	21-Jun-16	1.0945	21-Jun-19	21-Jun-26	54,725
	50,000	29-Nov-16	1.2434	29-Nov-19	29-Nov-26	62,172
	5,325,500					3,484,177

Notes to the financial statements continued

23. Share-based payments continued**Share Option Schemes 2010** continued

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

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

	2017 grants	2016 grants	2015 grants	2013 grants	2012 grants	2011 grants	2010 grants
Vesting date	20 Mar to 28 Nov 20	21 Jun to 29 Nov 19	1 Jun 18	1 Aug 16 to 7 Oct 16	6 Apr 15 to 15 Aug 15	5 Aug 14	31 Dec 13
Expiry date (number of years after grant)	10	10	10	10	10	10	10
Exercise price	£1.74-£2.26	£1.09-£1.24	£1.11	£0.96-£1.32	£0.61-£0.69	£0.58	£0.28
Share price at valuation	£1.58-£2.05	£1.00-£1.12	£1.01	£0.84-£1.16	£0.52-£0.58	£0.53	£0.26
Vested options' expected life	5.8 years	5.8 years	5.8 years	5.6 years	5.6 years	5.6 years	5.9 years
Volatility	30%⁽¹⁾	20.0% ⁽¹⁾	20.0% ⁽¹⁾	20.0% ⁽¹⁾	30.0% ⁽¹⁾	46.3% ⁽¹⁾	43.8% ⁽¹⁾
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Risk free rate	1.0%⁽²⁾	1.0% ⁽²⁾	1.0% ⁽²⁾	1.0% ⁽²⁾	1.0% ⁽²⁾	2.7% ⁽²⁾	3.5% ⁽²⁾
Impact of continued employment conditions	15%⁽³⁾	30% ⁽³⁾	30% ⁽³⁾	30% ⁽³⁾	30% ⁽³⁾	30% ⁽³⁾	30% ⁽³⁾

(1) Expected future volatility, based on historical analysis and trend.

(2) Spot yield on valuation date of UK Government bonds with a comparable maturity date.

(3) Attrition rate on average.

Vesting of options is reliant on achievement of any relevant performance conditions set by the remuneration committee, which typically take the form of sales-based targets.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

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

	2017 £'000	2016 £'000
Expense recognised in respect of share-based payments	239	117

Deferred Share Bonus Plan 2017

On 11 December 2017, shareholders approved the Group's plans for a new all-staff long-term incentive scheme. The Deferred Share Bonus Plan will operate in conjunction with the annual cash bonus scheme currently operated by the Gresham Group. A percentage of each participating employee's net annual bonus entitlement will continue to be paid in cash with the remaining amount of the bonus being paid to the trustee of a newly established employee benefit trust which will have been constituted to acquire existing issued ordinary shares and facilitate the Deferred Share Bonus Plan. These bonus-related shares will be beneficially owned by each participant but held by the trustee as its nominee.

At the same time, a corresponding matching award will be made by the Company, entitling the participant to receive, at nil cost, an entitlement to further ordinary shares. These awards will vest subject to the following conditions:

- The related bonus shares being retained for a specified period;
- Any relevant performance targets being met; and
- The participant remaining in employment with the Gresham Group until the end of the specified retention period.

Due to the establishment of the employee benefit trust, which will acquire existing issued ordinary shares, the Deferred Share Bonus Plan will be non-dilutive to existing shareholders above the levels permitted by the Investment Association's remuneration guidelines. The initial trustee of the employee benefit trust, which will be appointed in due course, will be a professional trustee company engaged for this purpose and will be independent of the Company and the Directors.

The first awards under the new plan are anticipated in early 2019 in respect of the Group's performance for FY2018.

24. Reserves

Share capital

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

During the year ended 31 December 2017, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 707,979 (2016: 350,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details.

Share premium

The balance classified as share premium represents the premium arising from the issue of the Company's equity share capital, comprising 5 pence ordinary shares, net of share issue expenses. There are restrictions on the use of the Share Premium Account. It can only be used for bonus issues, to provide for the premium payable on redemption of debentures, or to write off preliminary expenses, or expenses of, or commissions paid on, or discounts allowed on, the same issues of shares or debentures of the Company.

Other reserves

The balance classified as other reserves comprises a special reserve of £313,000. The special reserve arose on the cancellation of deferred ordinary shares in June 1992.

Foreign currency translation reserves

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Retained earnings

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

25. Capital commitments

At 31 December 2017, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2016: £nil).

26. Contingent liabilities and contingent assets

Contingent liabilities

In the normal course of business, the Company has issued general guarantees in respect of the contractual obligations of certain subsidiary undertakings from which no liability is expected to arise.

27. Related party transactions

Key management compensation (including Directors)

	31 December 2017 £'000	31 December 2016 £'000
Directors' emoluments		
Remuneration	551	524
Bonus	32	—
Social security costs	68	68
Pension	19	18
Share-based payments	220	75
	890	685

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

There is no single party known that the Directors consider to be a controlling shareholder or ultimate parent undertaking. Refer to page 46 for details of all significant shareholders that the Company has been notified of.

The Gresham Group provided software support services to its joint venture interest during the year of £270,000 and there is no outstanding balance at the end of the year. Gresham also provided support services during the year to its joint venture partner; Mount Street Loans Limited of £204,000.

Notes to the financial statements continued

28. Business combinations – Acquisition in the year ended 31 December 2016**Acquisition of C24 Technologies Limited**

On 3 October 2016, the Company acquired 100% of the voting shares of C24 Technologies Limited a niche financial markets software product business founded in 2000, specialising in standards-based financial messaging and integration solutions. C24 is focused on writing adapters to help move data from common back office systems into a SWIFT format which is a standardised message language used by financial institutions to make bank transfers. C24 updates all adapters and interfaces if and when swift messages change.

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

	Notes	Book value £'000	Adjustment £'000	Fair value £'000
Intangible assets				
Software	13	—	3,067	3,067
Customer relationships	13	—	866	866
Property, plant and equipment		—	—	—
Current assets		630	—	630
Assumed liabilities		(914)	—	(914)
Deferred tax		200	—	200
Total identifiable assets		(84)	—	4,024
Deferred tax on differences between fair values and tax bases		—	(680)	(680)
Goodwill	13	—	1,376	1,376
Total net assets/consideration		(84)	4,629	4,545
Satisfied as follows:				
Cash				3,409
Contingent consideration				1,136
Total purchase consideration				4,545
Analysis of cashflows on acquisitions:				
Net cash acquired with subsidiary				395
Cash paid				(3,409)
Net cash outflow				(3,014)
Fair value of consideration paid				
Cash				3,409
Contingent consideration due < 1 year				758
Contingent consideration due > 1 year				378
Total consideration				4,545

The goodwill recognised above is attributable to intangible assets that cannot be individually separated and reliably measured from C24 Technologies Limited due to their nature. These items include the expected value of synergies and assembled workforce.

From the date of acquisition, C24 Technologies Limited has contributed £1,466,000 of revenue (2016: £270,000) to the Group and operating profits £1,360,000 (2016: £205,000).

Contingent consideration – C24 Technologies Limited

As part of the share sale and purchase agreement, contingent consideration of £1,136,000 was agreed. This payment is subject to certain transition related objectives and forecasted customer contract renewals being achieved. The contingent consideration is payable in two tranches, one on the anniversary of the completion £758,000 and the second payable 18 months after completion £378,000.

During the year ended 31 December 2017 the Group settled the first tranche of contingent consideration which resulted in a reduction in contingent consideration liability on the balance sheet. The reduction in the fair value paid was due to slightly lower achievement of performance targets, this adjustment has been recognised as a gain within the Group exceptional line in the Group Income Statement. An adjustment to the outstanding contingent consideration has also been made on the same basis reducing the balance to £356,000.

	2017 £'000
Contingent consideration	
Brought forward	1,136
Adjustment due to lower achievement of performance obligations	(69)
Paid in the year	(711)
Carried forward	356

29. Post balance sheet events

There were no post balance sheet events.

Company balance sheet

	Notes	31 December 2017 £'000	31 December 2016 £'000
Fixed assets			
Property, plant and equipment	5	2	12
Deferred tax asset	9	339	250
Investments	6	14,864	14,625
		15,205	14,887
Current assets			
Debtors	7	25,328	18,996
Other financial assets – bank deposits		200	—
Cash at bank and in hand		2,008	2,241
		27,536	21,237
Creditors: amounts falling due within one year	8	17,287	11,167
Contingent consideration		356	758
Net current assets		9,893	9,312
Total assets less current liabilities		25,098	24,199
Contingent consideration due more than one year		—	378
Total assets less liabilities		25,098	23,821
Capital and reserves			
Called up share capital	10	3,375	3,340
Share premium account	11	3,562	3,242
Special reserve	11	313	313
Merger reserve	11	1,360	1,360
Profit and loss account	11	16,488	15,566
Shareholders' funds – equity interests	11	25,098	23,821

The Company made a retained profit in the year of £683,000 (after a share-based payment credit of £239,000).

The financial statements were approved by the Board of Directors and authorised for issue on 12 March 2018.

On behalf of the Board

Ian Manocha **Rob Grubb**
12 March 2018 12 March 2018

Company statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2016		3,164	9	313	1,360	14,784	19,630
Exercise of share options	22	18	171	—	—	—	189
Share-based payments expense	23	—	—	—	—	117	117
Share issue proceeds	22	158	3,163	—	—	—	3,321
Share transaction costs		—	(101)	—	—	—	(101)
Retained profit for the year		—	—	—	—	665	665
At 31 December 2016		3,340	3,242	313	1,360	15,566	23,821
Exercise of share options	22	35	327	—	—	—	362
Share-based payments expense	23	—	—	—	—	239	239
Share transaction costs		—	(7)	—	—	—	(7)
Retained profit for the year		—	—	—	—	683	683
At 31 December 2017		3,375	3,562	313	1,360	16,488	25,098

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

The Parent Company financial statements of Gresham Technologies plc (the "Company") have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework and as required by the Companies Act 2006.

The financial statements are prepared under the historical cost convention as modified for financial instruments that are measured at fair value and were approved for issue on 12 March 2018.

No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006. For the year ended 31 December 2017, the Company recorded a retained profit of £683,000 (2016: profit of £665,000).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU-endorsed IFRSs;
- certain disclosures regarding the Company's capital;
- a statement of cashflows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the Gresham Technologies plc Group.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- share-based payments;
- business combinations;
- assets held for sale and discontinued operations;
- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- impairment of assets.

Investments

Investments are recorded at cost less provision for impairment.

Financial assets

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses on financial assets at fair value through profit or loss recognised in the profit and loss account.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

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

Other receivables

Where the time value of money is material, other receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Taxation

Income taxes

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

R&D tax credits are recognised on an accruals basis and recorded as a credit in the taxation line of the Income Statement.

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

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

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

Notes to the Company financial statements continued

1. Accounting policies continued**Taxation continued****Income taxes continued**

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

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

Foreign currencies

Transactions denominated in foreign currencies are translated at an approximation of the exchange rate ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date. Resulting exchange gains and losses are taken to the profit and loss account.

Financial instruments

The Company uses forward foreign currency contracts to reduce exposure to movements in foreign exchange rates. Such instruments are stated at fair value. Gains and losses arising from changes in fair value are taken to the profit and loss account in the period.

Fair value of derivative financial instruments is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Related party transactions

The Company has taken advantage of the exemption under FRS 101 from disclosing related party transactions with entities that are wholly owned subsidiary undertakings of the Gresham Technologies plc Group.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term. Lease incentives are recognised over the lease term and the period to the next rent review.

Share-based payments – equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised in the Company financial statements as a capital contribution to the subsidiaries for whom the employees perform services, with the credit entry being made to reserves, over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value of awards with a market condition-based performance target is determined by an external valuer using a Monte Carlo simulation pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). Fair value of awards with a financial result-based performance target is determined by management using the Black Scholes pricing model.

No capital contribution is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is recorded as a capital contribution immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as a capital contribution in the balance sheet.

2. Auditor's remuneration

The figures within the auditor's remuneration note in the Gresham consolidated financial statements include fees charged by the Company's auditor to Gresham Technologies plc in respect of audit and non-audit services. As such, no separate disclosure has been given above.

3. Directors' remuneration

Information concerning Directors' remuneration and gains on exercise of share options can be found in the Directors' Remuneration Report beginning on page 37 and in note 7 to the Group financial statements. There are no staff employed or costs recognised in relation to the parent company.

4. Dividends paid and proposed

No dividends were declared or paid during the year, the Group anticipate announcing the first proposed dividend for approval at the AGM for the year ended 31 December 2017, this will be a progressive dividend (2016: nil).

5. Property, plant and equipment

	31 December 2017 Total £'000	31 December 2016 Total £'000
Cost		
At 1 January	31	31
At 31 December	31	31
Depreciation and impairment		
At 1 January	(19)	(9)
Charge for year	(10)	(10)
At 31 December	(29)	(19)
Net carrying amount		
At 31 December	2	12
At 1 January	12	22

All fixed assets relate to fixtures and fittings.

6. Investments

	Subsidiaries 2017 £'000	Subsidiaries 2016 £'000
Cost		
At 1 January	28,217	23,555
Acquisitions	—	4,545
Capital contribution – share-based payments	239	117
At 31 December	28,456	28,217
Impairment provisions		
At 1 January	13,592	13,592
At 31 December	13,592	13,592
Net book value		
At 31 December	14,864	14,625

Notes to the Company financial statements continued

6. Investments continued

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of subsidiary company	Country of incorporation	Holding (shares)	Proportion of voting rights and shares held	Nature of business
Gresham Technologies (UK) Limited ⁽⁴⁾	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Solutions) Limited ⁽⁵⁾	Aldermary House, London, England	Ordinary	100%	Software solutions
C24 Technologies Limited	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Australia) Pty Limited ^(3,6)	Level 6, 1 Pacific Highway, North Sydney, Australia	Ordinary	100%	Software solutions
Gresham Computing Sdn Bhd ⁽¹⁾	Level 7, Menara Milenium, Jalan Damanlela, Malaysia	Ordinary	100%	Software solutions
Gresham Computing Pte. Limited	138 Cecil Street, Cecil Court, Singapore	Ordinary	100%	Software solutions
Gresham Technologies (US) Inc ^(1,3,7)	25 Broadway, New York, USA	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc ⁽³⁾	25 Broadway, New York, USA	Ordinary	100%	Software solutions
GMS Loan Technologies Limited	Aldermary House, London, England	Ordinary	50%	Software solutions
Gresham Consultancy Services Limited ⁽²⁾	Aldermary House, London, England	Ordinary	100%	Dormant
Gresham Tech Limited ⁽²⁾	Aldermary House, London, England	Ordinary	100%	Dormant
Gresham Telecomputing Limited ⁽²⁾	Aldermary House, London, England	Ordinary	100%	Dormant
Circa Business Systems Limited ⁽²⁾	Aldermary House, London, England	Ordinary	100%	Dormant
Cheerkeep Limited ⁽²⁾	Aldermary House, London, England	Ordinary	100%	Dormant

(1) Held by a subsidiary undertaking.

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

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

(4) Name changed from Gresham Computer Services Limited on 17 January 2018.

(5) Name changed from Gresham Financial Services Limited on 4 January 2018.

(6) Name changed from Gresham Computing Pty Limited on 4 January 2018.

(7) Name changed from Gresham Computing Inc on 1 January 2018.

In December 2016 Gresham established a newly formed company GMS Loan Technologies Limited in partnership with an existing customer partner to exploit the Group's Clareti Loan Control technology developed in 2016 in conjunction with this partner. The arrangement is a joint venture, with both parties holding an equal legal interest and exercising joint control. GMS Loan Technologies Limited did not trade in the year ended 31 December 2016, but began its commercial activities in January 2017; please see note 15 Group financial statements.

7. Debtors

	2017 £'000	2016 £'000
Amounts owed by subsidiary undertakings	25,294	18,931
VAT receivable	27	54
Prepayments and accrued income	7	11
	25,328	18,996

8. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to subsidiary undertakings	17,053	10,715
Trade creditors	79	171
Other creditors and accruals	155	210
Financial liability	—	71
	17,287	11,167

For the year ended 31 December 2017, other creditors and accruals relates primarily to performance-related bonuses.

8. Creditors: amounts falling due within one year *continued*

For the year ended 31 December 2016, other creditors represent a loan of £180,000 and its associated interest of £29,000 which was outstanding consideration on the acquisition of C24 Technologies Limited. This has since been settled.

Contingent consideration in relation to C24 Technologies Limited acquisition

	2017 £'000	2016 £'000
Amounts due within one year	356	758
Amounts due greater than one year	—	378
	356	1,136

9. Deferred tax

The Company has a recognised deferred tax asset as follows:

	2017 £'000	2016 £'000
As at 1 January	250	—
Movement in the period within the profit and loss account	89	250
As at 31 December	339	250
Comprising:		
Temporary timing differences	339	206
Tax losses	—	44
	339	250

10. Issued share capital

	Number	Nominal value £'000
Ordinary shares allotted, called up and fully paid		
At 1 January 2016	63,270,978	3,164
Exercise of share options (see note 23)	350,000	18
Share issue	3,163,540	158
At 31 December 2016	66,784,518	3,340
Exercise of share options (see note 23)	707,979	35
At 31 December 2017	67,492,497	3,375

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

During the year ended 31 December 2017, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 707,979 (2016: 350,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details.

At 31 December 2017 and 2016 there were outstanding options granted to acquire ordinary shares in the Company. See note 23 for further details.

During 2016, the Group issued 3,163,540 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to the acquisition of C24 Technologies Limited (note 28). The shares were issued at a placing of £1.05 raising £3,163,000, after expenses of £101,000.

There are no preference shares in issue (2016: none).

11. Reserves

Share capital

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

During the year ended 31 December 2017, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 707,979 (2016: 350,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details.

Notes to the Company financial statements continued

11. Reserves continued**Share premium**

The balance classified as share premium represents the premium arising from the issue of the Company's equity share capital, comprising 5 pence ordinary shares, net of share issue expenses. There are restrictions on the use of the Share Premium Account. It can only be used for bonus issues, to provide for the premium payable on redemption of debentures, or to write off preliminary expenses, or expenses of, or commissions paid on, or discounts allowed on, the same issues of shares or debentures of the Company.

Special reserves

The special reserve arose on the cancellation of deferred ordinary shares in June 1992.

Merger reserve

The merger reserve arose on issue of shares in respect of acquisitions and mergers in the period 1992 to 1999.

Profit and loss account

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

12. Obligations under leases**Operating lease agreements where the Company is lessee**

The Company has entered into commercial leases on certain properties that have an average minimum duration of between one and five years. There are no unusual restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000	Land and buildings 2016 £'000	Other 2016 £'000	Total 2016 £'000
Not later than one year	279	—	279	232	—	232
After one but not more than five years	751	—	751	—	—	—
More than five years	61	—	61	110	—	110
	1,091	—	1,091	342	—	342

Operating lease agreements where the Company is lessor

The Company has no lease arrangements where it is lessor.

13. Capital commitments

At 31 December 2017, Company amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2016: £nil).

14. Contingent liabilities

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

15. Share-based payments

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

16. Related party transactions

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

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Annual General Meeting

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