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Gresham Technologies PLC
29 April 2024

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# Gresham Technologies plc

## Annual Financial Report Announcement

Gresham Technologies plc (LSE: "GHT", "Gresham", "Group", "Company"), the leading software and services company that specialises in providing solutions for data integrity and control, banking integration, payments and cash management, is pleased to announce its audited results for the financial year ended 31 December 2023 ("FY23").

**Financial Highlights**[1]

- Forward-looking Clareti Annualised Recurring Revenue ("ARR") up 5% to £29.5m (2022: £28.1m) as at 31 December 2023.
- Group revenues up 2% to £49.0m (2022: £48.2m).
- Clareti revenues up 10% to £36.3m (2022: £32.9m).
- Clareti recurring revenues up 10% to £29.6m (2022: £26.9m).
- Adjusted EBITDA[2] up 9% to £10.7m (2022: £9.8m).
- Cash adjusted EBITDA[3] of £4.7m, an increase of 21% on the prior year (2022: £3.9m).
- Profit before tax as reported up £1.6m to £3.1m (2022: £1.9m), including expenses adjusted in EBITDA metrics above of £2.4m (2022: £4.4m).
- Adjusted diluted earnings per share[4] at 6.3 pence (2022: 7.0 pence).
- Cash at 31 December 2023 of £4.8m and no debt after payment of £4.0m in contingent consideration for previous acquisitions (2022: £6.3m and no debt)[5].
- Interim dividend declared at 0.75 pence per share (2022: £nil).

**Operational Highlights**

- Standalone Clareti business continuing to grow after becoming cash profitable for the first time in 2022, generating cash EBITDA[3] of £1.6m (2022: £0.6m), as growth, scale and operating leverage begin to take effect.
- Twelve new-name wins, including several global Tier 1 financial institutions, bringing total direct customers to 270 across 30 countries.
- Electra business integration completed and delivering initial cross-sells and operating synergies.
- Strong growth in Cloud and other recurring revenues.
- Net ARR retention for the year of 105% (2022: 102%), highlighting growth within existing customer base.
- Continued growth and development of key accounts.
- Excellent economic returns being realised by Tier 1 firms replacing legacy reconciliation software with Control.
- Digital corporate banking product developed with Australia and New Zealand Banking Group deployed into production use.

**Outlook**

- Larger, more resilient Group, with more than £38m of FY24 revenues under contract upon entering the year, providing significant visibility and a robust platform to execute growth strategy.
- Management confident about the ongoing execution of its strategy for the Group and the potential for further value creation over the longer term.

**Recommended Offer**

- On 9 April 2024, the Boards of Gresham and Alliance Bidco Ltd ("Bidco") announced the recommended acquisition of Gresham by Bidco at a price of 163 pence per Gresham share, plus the interim dividend of 0.75 pence per Gresham share declared today. The transaction is conditional on, amongst other things, the approval of Gresham shareholders by the requisite majorities of resolutions to be proposed at a Court Meeting and a General Meeting, both convened for 16 May 2024. The scheme document (Scheme Document) and other documentation in this regard were published on 18 April 2024 and are available on the Investor Hub on the Gresham website.

(1) 2022 financials have been restated. Refer to Financial Review and to note 3 of the Group financial statements for full details.

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

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

(4) Diluted earnings per share, adjusted to add back share-based payment charges, exceptional items, amortisation from acquired intangible assets and foreign exchange differences on intercompany balances.

(5) Excludes any IFRS16 lease-related payables.

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

**Ian Manocha, CEO, commented:**

*"We are pleased to report another year of profitable growth and progress towards our goal of creating a leading global financial technology company. In a challenging market, most especially in the first half of 2023, our talented team delivered strategic new wins, improved on customer ARR net retention, and further lifted margins in the Clareti business and across the Group as a whole. The improved resilience enabled the Group to further reduce its dependency on legacy revenues, stepping away from its low margin sub-contracting business at the end of the year.*

*The Group has now completed its transformation into a modern subscription software and cloud services business. Whilst markets remain difficult, with elongated sales cycles, we have made a positive start to 2024."*

### Documents

A copy of this announcement has been submitted to the National Storage Mechanism and will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism and at https://www.greshamtech.com/invest-in-us.

The Annual Financial Report 2023 will be made available on the Company's website at https://www.greshamtech.com/invest-in-us and sent to shareholders in due course.

### Enquiries

| | |
|---|---|
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### Inside information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

### Rule 26.1 Disclosure

In accordance with Rule 26.1 of the City Code on Takeovers and Mergers, a copy of this announcement will be available on the investor section of the Company's website at https://www.greshamtech.com/invest-in-us by no later than 12 noon (London time) on the business day immediately following the date of this announcement. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

### Note to editors

Gresham Technologies plc is a leading software and services company that specialises in providing real-time solutions for data integrity and control, banking integration, payments and cash management. Listed on the main market of the London Stock Exchange (GHT.L) and headquartered in the City of London, its customers include some of the world's largest financial institutions and corporates, all of whom are served locally from offices located in the UK, Europe, North America and Asia Pacific.

Gresham's award-winning Clareti software platform is a highly flexible and scalable platform, available on-site or in the cloud, designed to address today's most challenging financial control, risk management, data governance and regulatory compliance problems. Learn more at www.greshamtech.com.

## ANNUAL FINANCIAL REPORT ANNOUNCEMENT

In accordance with the Disclosure and Transparency Rules, the extracts below are from the Annual Financial Report 2023 in un-edited full text. In order to comply with the regulatory requirement to include un-edited text in this Annual Financial Report Announcement, page and note references refer to page and note numbers in the Annual Financial Report 2023.

The financial information contained herein for the year ended 31 December 2023 and the year ended 31 December 2022 does not constitute the Company's statutory accounts for those years. The statutory accounts for the year ended 31 December 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting in due course.

The auditor's reports on the accounts for the years ending 31 December 2023 and 31 December 2022 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

## CHAIR'S STATEMENT

Dear shareholder

### Overview

I am pleased to present my first annual results as Chair of Gresham, having joined the Group in October. At the time of my appointment, the Group was making good progress against its strategic objectives, and I am delighted to report that this has continued with the Group closing the year on a high. Alongside eight new customer wins and meaningful strategic progress, whilst navigating through a challenging market environment, the Group delivered a robust financial performance with increased recurring revenues, enhanced profitability and cash ahead of expectations.

A major development in the year was the accelerated transition of the Group to a pure-play SaaS business, a transformation the Board has led over the last decade, utilising the Group's cashflows to invest in its next generation Clareti platform. This journey culminated with a decision in the latter part of FY23 to discontinue the Group's legacy, non-core IT sub-contracting business, enabling the Group to intensify focus on the high-margin Clareti opportunity.

Over those ten years we have invested to evolve towards an own-IP pure-play software business model, characterised by higher margins, sustained growth, multi-year recurring revenue contracts and significantly reduced customer concentration, enhancing our position and resilience in the market.

Against the backdrop of a turbulent financial services and banking environment in the first half of 2023, this has been a busy and productive year for Gresham and is testament to the quality of our team. We remain focused on building a supportive and rewarding environment, ensuring we maintain our excellent culture as we scale. As such, we were pleased to see our Employee Engagement Survey producing an overall engagement score of 76% (2022: 82%), with our employee turnover rate of 15.3% (2022: 16.3%).

### First impressions

In taking up the position as Chair, there were a number of qualities that attracted me to the Group.

The first thing was the scale of the opportunity. The highly complex data landscape in financial markets means that generic, legacy IT systems that dominate the sector are not fit for purpose. This is exacerbated by accelerating growth in data volumes, predicted to increase 40% by 2025[1] in the financial services sector, along with changing regulation. The scope to drive efficiencies, improved resilience, adherence to compliance and improved decision-making through the application of automation and modern technology is substantial, and I believe we are only seeing the start of this journey in our target markets.

Furthermore, I have been impressed by the professionalism and dedication of our team. Our people exhibit a depth of expertise and a commitment to serving our clients and developing software that can genuinely make a difference to our clients' operations. The quality and reliability of our solutions and services has consistently been reflected in the year-on-year growth in our client numbers and ARR.

Finally, the evolution of the Group's financial profile and business model, following prior years of investment and M&A, mean we have the potential to realise the benefits of operational leverage.

### Operating the business in a sustainable way

The Board remains focused on advancing the Group's Environmental, Social and Governance ("ESG") agenda. This includes managing our impact on the environment; our social responsibilities to our people and our communities; improving outcomes for our customers; having consideration for our suppliers; and operating as an ethical business.

To further our support of the Task Force on Climate-related Financial Disclosures ("TCFD"), we created a Sustainability Committee, and conducted our first climate-related scenario analysis.

### Dividend

Having considered the Group's financial performance for the year, together with the cash within the business and capital allocation priorities, and in light of the current offer for Gresham mentioned below, the Board is declaring an interim dividend of 0.75 pence per share (FY22: £nil) instead of a final dividend (FY22: 0.75 pence). It is intended to pay the interim dividend on10 June 2024 to all shareholders on the register at close of business on 10 May 2024. The ex-dividend date will be 9 May 2024.

### Outlook

We closed the financial year with good momentum, new customer wins adding to the Group's base of recurring revenues, and an improved pipeline. Despite a challenging macro environment, trading is in line with the Board's expectations.

We have a substantial opportunity to expand within our 270 clients, the market drivers for new companies to engage with us have never been more acute and the recent launch of Floe, the Group's smart bank account platform, highlights the new ideas and IP that sits within Gresham today.

On 9 April 2024, the Boards of Gresham and Alliance Bidco Ltd ("Bidco") announced the recommended acquisition of Gresham by Bidco at a price of 163 pence per Gresham share, plus the interim dividend of 0.75 pence per Gresham share declared today.

The transaction is conditional on, amongst other things, the approval of Gresham shareholders by the requisite majorities of resolutions to be proposed at a Court Meeting and a General Meeting, both convened for 16 May 2024. The scheme document (Scheme Document) and other documentation in this regard were published on 18 April 2024 and are available on the Investor Hub on the Gresham website.

**Richard Last**
Non-Executive Chair
29 April 2024

## CEO'S STATEMENT

Dear shareholder

### Overview: significant milestone in our strategic journey

In 2023, Gresham achieved key milestones in its journey towards becoming a global leader in mission-critical data control and automation solutions for financial services. As a result of our strategic acquisition of Electra in the US in 2021 and subsequent efforts in defining our integrated technology roadmap, and executing on our sales plan and global marketing strategies, we have extended our position in the market.

This year marked an acceleration in this journey, with nearly 300 organisations globally trusting our solutions to drive their operations forward and our commitment to innovation evidenced by the successful launch of Floe, our new innovative banking platform. With our extended international reach and a firm foothold across banking, capital markets, insurance, and energy trading sectors, we are well positioned for continued growth and success.

As we reflect on our achievements, a number of contract wins helped validate our market standing. This included a Clareti contract win with a major US investment manager where our cloud solution is helping to automate and reduce costs in its operations. We also welcomed two new Tier 1 banking customers later in the year who are using our Control solutions across their business operations.

Our robust financial performance during a year of dramatic events in capital markets underscores our resilience, with Clareti Annualised Recurring Revenue reaching £29.5 million (up 5% on FY22) or £30.4 million on a constant currency basis (up 8% on FY22) by year-end. With EBITDA reaching £10.7 million and healthy cash reserves exceeding our expectations at £4.8 million, we started the new year with confidence and determination to drive further innovation and value for our clients and stakeholders.

### Market: trends of digital transformation, regulation and AI are accelerating

2023 has been another challenging year for financial markets and the wider finance sector. With continued concerns over banking liquidity at the start of the year, the broader economic and geo-political challenges as well as the mixed benefits throughout the year of higher interest rates on Banks and Asset Managers, it has been a difficult market for organisations to navigate. More broadly, however, several asset classes performed much better than expected in the year which together with an expectation that monetary policy will normalise through 2024 should support increasing confidence for consumers, corporates and therefore our target clients. Importantly, all the drivers that create a need for banks, fund managers and other financial institutions to engage with us are key boardroom agenda items in both better and tougher years.

*Continuing pace of regulatory changes*

The regulatory landscape does not stand still, and the last year has only reinforced the need for intra-day monitoring and rule-based reporting. Governments have the challenge of regulating traditional banks and engaging with emerging technologies, particularly in areas like fintech, digital payments, and cryptocurrencies. In Europe the new EMIR Refit reporting rules which go live during 2024 have focused attention on more accurate data for regulatory reporting. In the US, there is an ambitious agenda of change planned in the coming year, including significant proposed changes to capital, resolution planning, consumer compliance, and supervision, among many others. The move to T+1 settlement comes into effect in 2024 in the US, representing a substantial shift in the industry, with Europe and the UK currently debating the switch to a T+1 environment. For banks, these changes will further necessitate building and maintaining effective governance, risk management, and control frameworks, intra-day processing and particularly how they interact with consumers.

*Innovation in financial services*

Technology-led product and service innovation continues to have a transformative impact on financial services with generative AI, open data, APIs and embedded finance, the digitisation of money, digital identity and concerns over cyber-security all likely to grow further in 2024.

The interest and adoption of blockchain technology, cryptocurrencies and other digital assets have been growing. Several US asset managers are planning to launch exchange traded funds ("ETFs") with leveraged bitcoin exposure and expand into bitcoin-based options and other cryptocurrencies after SEC approval. More broadly, financial institutions continue to explore how to integrate blockchain for secure and transparent transactions within their systems and specifically how they can reconcile and report transactions for digital asset classes. This is a good example of where it becomes harder for banks to stretch existing legacy IT systems and we are seeing some banking clients that have implemented our systems over the last five years are returning in a second wave of investment to remain competitive and compliant.

*Controlling Artificial Intelligence and Machine Learning in the financial services sector*

The use of artificial intelligence (AI) and machine learning (ML) in the financial sector is increasing. These technologies have been deployed for a while for fraud detection, marketing and customer service and are becoming increasingly prevalent as applications are found across the entirety of a bank's internal and external operations. The priority for boards is to ensure automation tools, especially those which are AI driven, are used appropriately and the outputs and decisions taken are compliant, transparent, optimal and explainable. AI has always been a key component of our technology and roadmap but the rapid advances in the potential of the technology are providing us with a range of options to both improve our products, streamline our development cycles, and operate more efficiently as a business.

*Digital transformation*

Fintech companies continue to challenge traditional banking models, and established financial institutions continually need to adapt, compete and adopt digital technologies to improve efficiency and enhance customer experiences. This includes investing in cloud computing, APIs, mobile applications, and other digital technologies that enable banks to deliver products and services to their customers in a fast, efficient, and seamless manner. This remains the over-arching main driver of our new business discussions.

### Clareti a leading solution in the sector

Our conversations with banks, asset managers and a range of institutions encompass all these challenges. Our Data and Connect solutions provide a comprehensive suite for seamless integration into global financial systems, supporting third party data access and lowering integration risks, costs, and saving time. The Data service offers a cloud-based aggregation platform collecting data from 2,500 sources, processing 14.5 billion records annually, and serving close to 300 clients. The goal is to become a leading independent provider of bank and custodian account data. Meanwhile, Connect solutions enable interaction with bank partners for payments and statements, streamline trading processes, ensuring regulatory compliance, and enhancing real-time data flows through a cloud platform.

Clareti is therefore a clear choice in supporting many companies in delivering optimised business processes, enhanced data accuracy, all while ensuring compliance with regulatory frameworks. Most importantly, our software and managed services enables customers to prioritise and focus on improving their own client service levels and propositions. This is why we grow our client numbers year-on-year and why many of our existing clients return each year to expand and upgrade their systems.

### Client wins with major banks and buy-side firms

A good example of Clareti in action was our major win during the year with a major player in the US investment management industry. This contract was particularly pleasing because of the size and importance of the client but it also highlighted the end-to-end service and transformation we can deliver.

The firm, which offers active equity and fixed-income solutions to institutional and private clients, selected us to help automate and reduce costs in its investment operations with a cloud solution covering data collection from custodians and brokers, data aggregation, reconciliation against internal books and records, and exception management processes. Following an extensive evaluation of market options, the firm selected Control for Investment Management delivered as a service in the Clareti Cloud.

The contract includes minimum subscription fees of $240k per annum over an initial five-year committed term, with potential for incremental subscription fees through optimal managed services and usage expansion and additional service income.

The Group also secured a number of wins to close the year. In December, contracts for initial deployments with two new Control customers were signed including a Tier 1 global investment bank and one of the world's largest sovereign wealth funds. In addition, an agreement was reached with two recently merged tier one bank customers for the adoption of Control as standard across the combined business operations, providing a high level of certainty over existing recurring revenues.

### Innovation: Floe - our next generation bank account platform

It is that focus on the end banking customer that has driven one of our most exciting innovation programmes over the last few years. In Q3 2023 after nearly four years of development funded by our partner, ANZ Bank, we launched our next generation banking platform, Floe.

The partnership, first announced in September 2019, has focused on developing next generation solutions for digital corporate banking and particularly targeting corporate cash management workflows and embedded bank account solutions. We have made remarkable progress over the past three and a half years and our collaboration with ANZ has been transformative in terms of the product and go-to-market plans we have today. From 2020 to 2021 we engaged in intensive design, development and deployment phases, culminating in early releases of our product. Through 2022 rigorous testing procedures led to the realisation of a product-grade solution, now actively deployed with ANZ Bank. As we enter the next phase, our focus now shifts towards monetisation.

At the core of Floe's mission lies our commitment to facilitating faster, more flexible, and frictionless corporate banking experiences. Floe is a cloud native, modular and configurable application that can build on existing legacy systems to provide a modern, real-time, digital banking platform. Future solutions included embedded bank accounts, in-house banking, and banking-as-a-service offerings, all enabled with a modern API centric and cloud-native architecture.

The cloud design makes it flexible for different banking environments, it is highly scalable and secure and is based on industry standards for communication, making it easy to connect to other systems, and therefore offer new services quickly.

We believe our target market encompasses approximately 250 to 300 middle-sized transaction banks globally, with a focus on those seeking innovative solutions without the need for extensive in-house development or core system replacements.

Financially, we expect scaling Floe to be broadly self-funding in the near term. Beyond that we believe Floe has the potential to extend our strategic importance in our target markets and become a material contributor to ARR.

### ANZ services relationship

As the Floe programme has progressed, we have taken the opportunity to review our ongoing relationship. In consultation with ANZ, the Company agreed to exit the lower margin legacy sub-contracting business under which locally based freelance IT contractors are provided to the Bank on short-term agreements. We recognised £8.1m in revenue from these arrangement in FY23 with fixed margins of 13%, and the business was being abandoned from December 2023. In line with the Group's strategy, these changes will continue the Group's transformation to a pure-play SaaS company and lead to an immediate improvement in gross and adjusted EBITDA margins.

### People

In 2023, as we largely completed our transition to a pure fintech-focused software business, we have taken the opportunity to re-evaluate our marketing strategy. A key part of this new approach is the investment in our brand and our commitment to maintaining a challenger culture in product development and client interaction. In July we were therefore pleased to welcome Geneva Loader to our team, to lead the Group-wide marketing strategy.

Looking forward as we think about our technology roadmap over the next five years, post year-end we announced the appointment of Andrew Elmore as Chief Technology Officer. With his industry experience, he will not only add valued insight and knowledge into our R&D roadmap but also provides a fresh opportunity to look at our processes and how we best allocate product development capital.

Importantly, Neil Vernon, CTO from the start of our Clareti journey, has transitioned to the newly created role of Chief Product and Innovation Officer, with a focus on identifying and driving next generational product strategy; including artificial intelligence and machine learning to serve the evolving needs of the financial services data landscape.

### Current trading and outlook: encouraging client interactions in Q1

We have had a positive start to 2024 and while sales cycles remain elongated and end markets are consolidating, there are some signs of improving trends across our clients which gives us confidence for the year ahead. The successful transformation of the Group presents us with opportunities to enhance efficiencies across the organisation while remaining steadfast in our roadmap and go-to-market strategy. This dual emphasis on growth and operational refinement positions us for sustained success and innovation in the marketplace, driven by our commitment to client success and our own operational excellence.

**Ian Manocha**
Chief Executive
29 April 2024

## FINANCIAL REVIEW

### Forward-looking annualised recurring revenue ("ARR")

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

| | | | | *2023* | *2022* | *Variance* | *%* |
|---|---|---|---|---|---|---|---|
| Clareti ARR | Clareti ARR at start of year | | £m | 28.1 | 24.0 | N/a | |
| | Organic increase in ARR | | £m | 2.2 | 2.3 | (0.1) | *(4%)* |
| | Foreign exchange movement | | £m | (0.8) | 1.8 | (2.6) | *(144%)* |
| | **Clareti ARR at end of year** | **KPI** | **£m** | **29.5** | **28.1** | **1.4** | ***5%*** |
| Other ARR | Other ARR | | £m | 3.2 | 3.5 | (0.3) | *(9%)* |
| Group ARR | Group ARR | | £m | 32.7 | 31.6 | 1.1 | *4%* |

Our ARR from our strategic growth business, Clareti, is a critical KPI for the Group as it provides a forward-looking view of the minimum expected revenues in the next twelve months; which gives confidence to business planning and investment decisions. The organic Clareti ARR growth in 2023 was £2.2m, an increase of 8% on the opening Clareti ARR position, and broadly aligned with the £2.3m organic growth achieved in the previous year, we were disappointed with the Clareti ARR growth performance in 2023 and confident in improving this in 2024. Foreign exchange movements in the opening ARR position, largely the strengthening of the GBP against the USD and AUD, were negative £0.8m, compared to the positive £1.8m experienced in 2022. Our retention and upsell measures improved on the previous year, with the trailing twelve-month net Clareti ARR retention rate being 105%, increasing from the 102% rate achieved in the prior year (both on a constant currency basis). We calculate our net ARR retention rate as ARR from the end of the period from customers' existing at the start of the period, divided by ARR at the start of the period. There remains a significant market opportunity to both upsell and cross-sell to our continually growing existing customer base that we are strategically investing in capturing. Going forward, we expect to our net ARR retention rate to further improve in 2024.

ARR from our Other businesses have fallen by £0.3m to £3.2m in 2023. The significant majority of this ARR is denominated in AUD. Therefore the movement is largely due to the strengthening of the GBP against the AUD since the prior year. It remains encouraging to see the ongoing longevity of the remaining non-Clareti business line continuing to provide predictability and further ability to invest with confidence in the Clareti business.

In addition to Group ARR of £32.7m, expected revenues from non-recurring contracts in place as at 31 December 2023 provide visibility for over £38.0m of revenue for 2024 before any new or incremental contracts are won.

### Prior year restatement

The Group identified two items requiring restatement in relation to a change in revenue recognition policy and an error in the accounting for foreign exchange differences on the retranslation of intercompany trading and loan balances. Full details of these restatements are disclosed in full within note 3 to the financial statements. The financial statements and all commentary and references to the year's performance or year-end position of the Group for 2022 and 2023 are presented post the application of these changes, as has the opening balance sheet position at 1 January 2022. Where commentary and references are made to performance and positions prior to 1 January 2022, these are based upon the previously published results. A summary of these restatements for the year ended 31 December 2022 is as follows:

| | | *2022 - as previously reported* | *Restatements* | *2022 - as restated* |
|---|---|---|---|---|
| Group revenues | £m | 48.7 | (0.5) | 48.2 |
| Group gross profit | £m | 33.9 | (0.5) | 33.5 |
| Group adjusted EBITDA | £m | 10.3 | (0.5) | 9.8 |
| Group cash adjusted EBITDA | £m | 4.4 | (0.5) | 3.9 |
| Statutory profit after tax | £m | 2.9 | (1.3) | 1.6 |

### Income Statement

#### *Abandoned operations*

During November we announced that in line with the Group's strategy to continue our transformation to a pure-play SaaS company, we were abandoning our Contracting Services business with ANZ bank; with all material operations ceasing before 31 December 2024. This business was the lower-margin legacy sub-contracting business under which locally based IT contractors were provided to the Bank on short-term agreements.

The majority of the sub-contracting business has been reported as its own contracting services business segment, with a smaller proportion being reported within Clareti non-recurring revenue where a small number of contractors have been provided specifically as part of the Floe project (now presented separately in note 5 to the financial statements). Revenues and profits from this operation have been disclosed below and are described separately to the ongoing operations of the Group. Revenues from this contract were £8.1m for the year, 22% lower than 2022, with the reduction being due to lower demand from ANZ for these non-strategic services. In addition to the transition away from these services, these revenues have also been impacted by foreign exchange differences due to the AUD weakness experienced throughout the year against the GBP.

| | | | 2023 | 2022 | Variance | % |
|---|---|---|---|---|---|---|
| **Abandoned operations** | | | | | | |
| Clareti revenues (1) | Non-recurring | £m | 1.5 | 2.2 | (0.7) | *(32%)* |
| Other services revenues (1) | Non-recurring | £m | 6.6 | 8.2 | (1.6) | *(20%)* |
| Group revenues | | £m | 8.1 | 10.4 | (2.3) | *(22%)* |
| Group gross margin | | £m | 1.1 | 1.4 | (0.3) | *(22%)* |
| | | *%* | *13%* | *13%* | - | *N/a* |
| Group adjusted EBITDA | | £m | 1.1 | 1.4 | (0.3) | *(22%)* |
| | | *%* | *13%* | *13%* | - | *N/a* |
| Group cash adjusted EBITDA | | £m | 1.1 | 1.4 | (0.3) | *(22%)* |
| | | *%* | *13%* | *13%* | - | *N/a* |

*(1) Abandoned operations under both the Clareti and Non-Clareti business segments were performed under the same master contract and carried the same fixed margin*

### *Constant currency Income Statement headlines*

Due to the levels of transactions occurring in currencies other than the Company's functional reporting currency of GBP, largely USD and AUD, the Group suffered to a material degree from the strengthening of the GBP throughout the year. The table below shows 2023 performance if transactions had been reported on the same average exchange rates for the year as 2022.

| | | 2023 | | 2022 | Variance on constant currency basis | % |
|---|---|---|---|---|---|---|
| | | *Actual basis* | *Constant currency basis* | | | |
| Group revenue | £m | 49.0 | 50.2 | 48.2 | 2.0 | *4%* |
| Group gross margin | £m | 36.2 | 36.9 | 33.5 | 3.4 | *10%* |
| *Group gross margin %* | *%* | *74%* | *74%* | *70%* | *4%* | |
| Group adjusted EBITDA | £m | 10.7 | 11.0 | 9.8 | 1.2 | *12%* |
| *Group adjusted EBITDA %* | *%* | *22%* | *22%* | *21%* | *1%* | |
| Cash adjusted EBITDA | £m | 4.7 | 5.0 | 3.9 | 1.1 | *28%* |
| *Cash adjusted EBITDA %* | *%* | *10%* | *10%* | *8%* | *1%* | |

### *Revenues*

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

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

| | | | | 2023 | 2022 | Variance | % |
|---|---|---|---|---|---|---|---|
| Clareti solutions | **Recurring** | **KPI** | **£m** | **29.6** | **26.9** | **2.7** | ***10%*** |
| | Non-recurring | | | 6.6 | 6.0 | 0.6 | *10%* |
| | **Total Clareti revenues** | **KPI** | **£m** | **36.2** | **32.9** | **3.3** | ***9%*** |
| Other solutions & services | Recurring | | £m | 4.2 | 4.6 | (0.4) | *(9%)* |
| | Non-recurring | | £m | 0.5 | 0.3 | 0.2 | *67%* |
| | Total | | £m | 4.7 | 4.9 | (0.2) | *(4%)* |
| Abandoned operations | Non-recurring | | £m | 8.1 | 10.4 | (2.3) | *(22%)* |
| **Group** | **Total** | **KPI** | **£m** | **49.0** | **48.2** | **0.8** | ***2%*** |

*Clareti Solutions*

Clareti recurring revenues increased by 10%, up £2.7m on 2022 or 12% and £3.2m on a constant currency basis. These increases were as a result of both new recurring revenue sales and increased consumption of Clareti solutions from our existing customers.

Clareti non-recurring revenues increased by 10%, up £0.6m on the prior year. The increase driven by new implementations associated with the increase in Clareti recurring revenues and improved discipline in ensuring services work from the Electra business, acquired in 2021, is fully chargeable.

*Other Solutions & Services*

The vast majority of the remaining and ongoing 'Other Solutions & Services' relate to a legacy partner relationship where we act as a reseller of third party software to a single customer. We continue to benefit from very good visibility of customer intentions in relation to this remaining product line.

Recurring revenues within the 'Other Solutions & Services' portfolio decreased by 9% to £4.2m as a result of the discontinuation of our own-IP software product (EDT) from 31 December 2022, and the weakening of the AUD, which the vast majority of the remaining recurring business is contracted in. Non-recurring Other revenues increased from £0.3m to £0.5m due to a one-off purchase of extended rights for unsupported source code usage of one of our legacy products.

### *Earnings*

| | | | 2023 | 2022 | Variance | % |
|---|---|---|---|---|---|---|
| Clareti Solutions | Gross margin | £m | 32.9 | 29.7 | *3.2* | *11%* |
| | Gross margin | % | 91% | 90% | *1%* | *N/a* |
| Other solutions & services | Gross margin | £m | 2.3 | 2.5 | (0.2) | *(8%)* |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| services | Gross margin | | % | 50% | 49% | 1% | *N/a* |
| Abandoned operations | Gross margin | | £m | 1.0 | 1.3 | (0.3) | *(20%)* |
| | Gross margin | | % | 13% | 13% | - | *N/a* |
| Group | Gross margin | | £m | 36.2 | 33.5 | 2.7 | *8%* |
| | Gross margin | | % | 74% | 69% | 5% | *N/a* |
| | **Adjusted EBITDA** | **KPI** | **£m** | **10.7** | **9.8** | ***0.9*** | ***9%*** |
| | **Adjusted EBITDA** | **KPI** | **%** | **22%** | **20%** | ***2%*** | ***N/a*** |
| | **Cash Adjusted EBITDA** | **KPI** | **£m** | **4.7** | **3.9** | **0.8** | ***21%*** |
| | **Cash Adjusted EBITDA** | **KPI** | **%** | **10%** | **8%** | **2%** | ***N/a*** |
| | Statutory profit after tax | | £m | **3.1** | **1.6** | *1.5* | *94%* |
| | **Adjusted diluted EPS** | **KPI** | **Pence** | **6.32** | **7.03** | ***(0.71)*** | ***(10%)*** |

*Gross margin*

The majority of our cost of sales within the Clareti business is made up of: (i) customer-specific third party costs incurred in providing our hosted cloud solutions; and (ii) third party contractor costs providing non-recurring services to customers. Gross margins achieved within the Clareti business segment have increased from 90% in 2022 to 91% in 2023 as high margin recurring revenues have increased as a proportion of total Clareti revenues.

Within the 'Other Solutions & Services' business segment, cost of sales are incurred in relation to the fees paid to the software IP owner at fixed margins under reselling contracts. Gross margins generated in this business segment for the year are 50%, relatively consistent with those in 2022 of 49%.

Group gross margins have improved from 69% to 74% as the mix of the Group's business has continued to move, in line with Group strategy, to the high-margin Clareti business.

*Adjusted EBITDA*

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

Group adjusted EBITDA has improved by £0.9m, or 9%, since the prior year with margins improving by 2% to 22% in 2023. This is as a result of the existing higher margin Clareti business continuing to grow and beginning to drive improved operational leverage as it scales. Whilst we will ensure that we maximise the current market opportunity through appropriate strategic investments, we do expect to continue to see improvements to these margins in future years.

*Cash Adjusted EBITDA*

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

Cash adjusted EBITDA has also improved on the prior year, with £0.8m of the £0.9m improvement in adjusted EBITDA (mentioned above) dropping through to improvement cash EBITDA. This has resulted in a cash adjusted EBITDA margin of 10%, an improvement of 2% on the prior year. Like adjusted EBITDA, we expect to see continued improvements in these margins in future years.

The Clareti standalone business reached an important milestone in 2022, becoming cash adjusted EBITDA positive for the first time, generating a margin of 2%. As was anticipated, this margin further improved to 4% in 2023. As the Clareti business continues to scale this will continue to drive Group cash adjusted EBITDA improvements.

*Statutory profit after tax and Adjusted diluted EPS*

There has been an increase in statutory profit after tax of £1.5m to £3.1m due to the combination of improved adjusted operating profit of £0.4m as a result of the growth and improved profitability of the Group; offset by an increase in tax charge of £0.7m (see below).

Adjusted diluted EPS has reduced by 10% to 6.3 pence per share, the reduction is largely due to the increased taxation charge for the year (refer to taxation section below). Adjusted earnings used in this calculation adjust the statutory result after tax for exceptional items; amortisation of acquired intangibles, share-based payments and foreign exchange differences on intercompany balances.

***Exceptional items***

During the year, the Group recognised exceptional costs of £0.1m in relation to the termination of supplier contracts following the closure of the EDT business in December 2022. In the prior year, £0.2m of exceptional costs were incurred in relation to the Electra acquisition and associated integration. The Group also received £0.1m of exceptional income in the year from a one-off tax credit in relation to the Covid-19 pandemic relief scheme; there was no such exceptional income in 2022.

***Taxation***

For the year ended 31 December 2023, the Group has recorded a net tax charge of £1.0m (2022: £0.3m). This is made up of a current tax charge of £0.6m (2022: £0.3m) and deferred tax charge of £0.4m (2022: £nil).

The current tax charge increased by £0.3m, largely due to the credit generated upon the surrender of tax losses for a cash rebate related to the enhanced relief available from qualifying R&D activity being lower than the prior year as a result of their being fewer losses available.

The deferred tax charge increased by £0.4m as a result of: the recognition of tax asset due to losses generated being £0.4m lower than the prior year upon the reduction in rate of enhanced tax relief on qualifying R&D activity from 130% to 86%; and a £0.3m reduction in deferred tax asset due unexercised employee share awards, which are valued at the current share price for tax purposes which has reduced since the prior year.

**Cashflow**

The Group's financial position remained very strong throughout 2023. At a headline level, the cash balance at the year-end of £4.8m was behind that of the prior year-end of £6.3m. Whilst the final deferred consideration payments from 2021's Electra acquisition during the year of £4.0m explains much of this, there are also a number of other movements beneath the headline balances which are described below.

Operating cashflow, excluding working capital, abandoned and exceptional items, has increased by £0.8m to £9.7m in the year as a result of the improved cash EBITDA of the Group, particularly the strategic Clareti business.

Operating cash outflow from exceptional items has reduced from £0.2m to £nil, and operating cashflows from abandoned operations have reduced by £0.4m to £1.0m.

The movement in working capital, excluding the impact of the abandoned operations, has improved from negative £0.8m to a positive £1.3m; a trend which is expected to continue due to the 'paid annually in advance' commercial model in the Clareti business (this was after a number of one-off items caused the negative movement in the prior year). The movement in working capital from abandoned operations was a negative £1.9m, reflecting the quarterly advance payments model of the Contracting Services business.

The Group paid net tax of £0.6m in 2023, whereas £0.6m was received in 2022. Gross tax payments were made in the year of £1.9m (2022: £1.9m). During 2023 the Group received gross tax receipts of £1.3m as a result of research and development activities performed. During 2022, two years' worth of equivalent receipts were received relating to 2020 and 2021, totalling £2.5m.

The capitalised development expenditure of £5.2m is £0.2m higher than with 2022 largely due to inflationary related salary increases.

During 2023 the Group spent £0.2m on other capital spend, a return to normal levels, after 2022 saw a one-off increase in relation to the complete refurbishment of our New York office.

During the prior year the Group paid the final contingent consideration payment of £0.4m in relation to the July 2020 Inforalgo acquisition. As such, there was no equivalent payment in the current year.

Upon meeting the success criteria measured on the second anniversary of the 2021 Electra acquisition, the second and final contingent consideration payment was made in full of £4.0m (2022: £4.0m).

The Group received £0.2m upon the exercise of share options during the year (2022: £0.1m).

Included within 'Other' is the recording of negative effect of foreign exchange rate changes of £0.1m, arising upon the revaluation of the Group's non-GBP entity opening balance sheets upon consolidation; the equivalent in the prior year was £1.1m.

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

| | | | *2023* | *2022* | *Variance* | *%* |
|---|---|---|---|---|---|---|
| *Opening cash and cash equivalents at 1 January* | | *£m* | *6.3* | *9.1* | *(2.8)* | *(31%)* |
| Operating cashflow excluding abandoned and exceptional items | | £m | 9.7 | 8.9 | 0.8 | *9%* |
| Operating cashflow from abandoned operations | | £m | 1.0 | 1.4 | (0.4) | *(29%)* |
| Operating cashflow from exceptional items | | £m | - | (0.2) | 0.2 | *(100%)* |
| *Total operating cashflow excluding working capital* | | *£m* | *10.7* | *10.1* | *0.6* | *6%* |
| Movement in working capital | | £m | 1.0 | (0.8) | 1.8 | *(225%)* |
| Movement in working capital - abandoned operations | | £m | (1.6) | - | (1.6) | *N/a* |
| *Cash inflow from operations* | | *£m* | *10.1* | *9.3* | *0.8* | *9%* |
| Net tax (payments)/receipts | | £m | (0.6) | 0.6 | (1.2) | *(200%)* |
| Capital expenditure - development costs | | £m | (5.4) | (5.2) | (0.2) | *4%* |
| Capital expenditure - other | | £m | (0.2) | (0.8) | 0.6 | *(75%)* |
| Principal paid on lease liabilities | | £m | (0.7) | (0.6) | (0.1) | *17%* |
| Inforalgo acquisition (net of cash acquired) | | £m | - | (0.4) | 0.4 | *100%* |
| Electra acquisition | | £m | (4.0) | (4.0) | - | - |
| Shares issued - upon option exercises | | £m | 0.2 | 0.1 | 0.1 | *100%* |
| Dividend | | £m | (0.6) | (0.6) | - | - |
| Other | | £m | (0.3) | (1.2) | 0.9 | *(75%)* |
| *Net increase/(decrease) in cash and cash equivalents* | | *£m* | *(1.5)* | *(2.8)* | *1.3* | *(46%)* |
| ***Closing cash and cash equivalents at 31 December*** | ***KPI*** | ***£m*** | ***4.8*** | ***6.3*** | ***(1.5)*** | ***(24%)*** |

**Consolidated statement of financial position**

Intangible fixed assets remain the largest item on the balance sheet at £62.9m (2022: £62.8m), consisting of software development assets of £25.9m (2022: £23.6m), separately identified assets acquired with previous acquisitions of £17.2m (2022: £19.5m), and goodwill of £19.6m (2022: £19.7m).

Trade receivables increased from £4.8m to £5.7m and accrued income (a contract asset) has reduced from £1.8m to £1.0m. The combined balance of trade receivables and accrued income remains fairly consistent year on year, however the balance between the two has shifted due to the timing of a single large customer invoice being raised.

Contract liabilities are split between non-current, £0.8m (2022: £0.4m) and current liabilities, £13.0m (2022: £13.5m). Non-current contract liabilities have increased by £0.4m due to two customers negotiating non-standard renewal terms under which they paid the full three-year renewal term upfront. Current contract liabilities have reduced by £0.5m due to the abandoning of the non-Clareti Contracting Services business, which is partially offset by the increase in Clareti ARR which is typically paid annually in advance.

Deferred tax liabilities, which are presented net of deferred tax assets, have increased from £5.7m to £6.5m as a result of research and development spend qualifying for enhanced tax relief being £0.4m lower than the prior year as a result of the rate reducing from 130% to 86% ; offset by a reduction of £0.6m from the unwinding of timing difference arising on acquired intangibles, a £1.0m decrease in tax losses available and a £0.3m decrease in deferred tax on employee share awards.

Contingent consideration has reduced from £4.0m to £nil as a result of the final amount of $4.8m due on the Electra acquisition being paid during the third quarter of 2023.

Trade payables decreased from £1.5m to £1.0m, largely due to the Contracting Services business being abandoned. Accruals decreased to £3.6m (2022: £4.3m), largely in relation to a reduced bonus provision as 2023 performance was not as strong against set targets as it was in 2022.

**Financial outlook**

Management were pleased to deliver continued growth in 2023 in Clareti revenues, Group adjusted EBITDA and Group cash adjusted EBITDA against the continued turbulent economic environment in which our customers operate, and the foreign exchange headwinds experienced. Management are confident of the building blocks in place to drive expected improvements in Clareti growth rates; which will be achieved through new customer wins, expanding the existing ARR base from existing customers, and reducing losses and down-sells.

The decision with ANZ to abandon the non-core low-margin Contracting Services business simplifies the Group towards a pure-play SaaS company, generating Group margins expected of such a business.

We are also focussed on improving our profit margins through targeted cost optimisations across the Group whilst prioritising investments that maximise growth generation.

**Tom Mullan**
Chief Financial Officer
29 April 2024

**CONSOLIDATED INCOME STATEMENT**

| | Notes | **Year ended 31 December 2023 £'000** | As restated Year ended 31 December 2022 £'000 |
|---|---|---|---|
| Revenue | 4,5 | **49,012** | 48,238 |
| Cost of sales | | **(12,790)** | (14,774) |
| Gross profit | | **36,222** | 33,464 |
| Adjusted administrative expenses | | **(29,431)** | (27,027) |
| Adjusted operating profit | | **6,791** | 6,437 |
| Adjusting administrative items: | | | |
| Exceptional costs | 5 | **(79)** | (153) |
| Exceptional income | 5 | **119** | - |
| Foreign exchange differences on retranslation of intercompany balances | 5 | **636** | (860) |
| Amortisation of acquired intangibles | 14 | **(2,315)** | (2,315) |
| Share-based payments | 23 | **(757)** | (1,027) |
| | | **(2,396)** | (4,355) |
| Total administrative expenses | | **(31,827)** | (31,382) |
| Operating profit | 5,6 | **4,395** | 2,082 |
| Finance revenue | 9 | **1** | 6 |
| Finance costs | 9 | **(307)** | (219) |
| Profit before taxation | | **4,089** | 1,869 |
| Taxation | 10 | **(1,013)** | (279) |
| Profit after taxation attributable to the equity holders of the Parent | | **3,076** | 1,590 |
| *Earnings per share* | | | |
| *Statutory* | | ***pence*** | *pence* |
| Basic earnings per share | 11 | **3.68** | **1.91** |
| Diluted earnings per share | 11 | **3.55** | **1.88** |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | **Notes** | **Year ended 31 December 2023 £'000** | As restated Year ended 31 December 2022 £'000 |
|---|---|---|---|
| Profit after taxation attributable to the equity holders of the Parent | | **3,076** | 1,590 |

| | | | |
|---|---|---|---|
| Profit after taxation attributable to the equity holders of the Parent | | **3,076** | 1,590 |
| *Other comprehensive expenses* | | | |
| Items that will or may be re-classified into profit or loss: Exchange differences on translating foreign operations | **24** | **(421)** | (77) |
| Total other comprehensive expenses | | **(421)** | (77) |
| | | | |
| Total comprehensive income for the year | | **2,655** | 1,513 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| | Notes | **At 31 December 2023** | As restated At 31 December 2022 | As restated At 1 January 2022 |
|---|---|---|---|---|
| | | **£'000** | £'000 | £'000 |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 13 | **731** | 899 | 218 |
| Right-of-use assets | 16 | **1,574** | 1,592 | 1,466 |
| Intangible assets | 14 | **62,861** | 62,788 | 62,267 |
| Deferred tax assets | 10 | **137** | - | 232 |
| | | **65,303** | 65,279 | 64,183 |
| **Current assets** | | | | |
| Trade and other receivables | 18 | **7,175** | 6,515 | 5,403 |
| Contract assets | 18 | **1,871** | 2,605 | 1,740 |
| Income tax receivable | | **-** | - | 1,268 |
| Cash and cash equivalents | 19 | **4,774** | 6,280 | 9,139 |
| | | **13,820** | 15,400 | 17,550 |
| **Total assets** | | **79,123** | 80,679 | 81,733 |
| **Equity and liabilities** | | | | |
| **Equity attributable to owners of the Parent** | | | | |
| Called up equity share capital | 22 | **4,194** | 4,172 | 4,168 |
| Share premium account | 24 | **24,232** | 23,941 | 23,876 |
| Own share reserve | 22 | **(44)** | (296) | (609) |
| Other reserves | 24 | **536** | 536 | 536 |
| Retained earnings | 24 | **21,550** | 18,770 | 16,459 |
| **Total equity attributable to owners of the Parent** | | **50,468** | 47,123 | 44,430 |
| **Non-current liabilities** | | | | |
| Contract liabilities | 20 | **796** | 354 | 60 |
| Lease liabilities | 16 | **867** | 953 | 770 |
| Deferred tax liability | 10 | **6,489** | 5,712 | 6,566 |
| Provisions | 20 | **183** | 146 | 144 |
| Contingent consideration | 20 | **-** | - | 3,575 |
| | | **8,335** | 7,165 | 11,115 |
| **Current liabilities** | | | | |
| Trade and other payables | 20 | **19,659** | 21,633 | 21,602 |
| Lease liabilities | 16 | **661** | 709 | 642 |
| Income tax payable | 20 | **-** | 62 | - |
| Contingent consideration | 20 | **-** | 3,987 | 3,944 |
| | | **20,320** | 26,391 | 26,188 |
| **Total liabilities** | | **28,655** | 33,556 | 37,303 |
| **Total equity and liabilities** | | **79,123** | 80,679 | 81,733 |

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2024.

On behalf of the Board

| | |
|---|---|
| **Ian Manocha** | **Tom Mullan** |
| Chief Executive | Chief Financial Officer |
| 29 April 2024 | 29 April 2024 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| | Notes | Share capital | Share premium account | Own share reserve | Other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2022 - as previously reported | | 4,168 | 23,876 | (609) | 536 | 17,910 | 45,881 |
| Prior year adjustment | 3 | - | - | - | - | (1,451) | (1,451) |
| At 1 January 2022 - As restated | | 4,168 | 23,876 | (609) | 536 | 16,459 | 44,430 |
| Attributable profit for the period - As restated | | - | - | - | - | 1,590 | 1,590 |
| Other comprehensive expenses - As restated | | - | - | - | - | (77) | (77) |
| Total comprehensive income - As restated | | - | - | - | - | 1,513 | 1,513 |
| Exercise of share options | 22 | 4 | 65 | - | - | - | 69 |
| Transfer of own shares held by Employee Share Ownership Trust to employees | 22 | - | - | 313 | - | 92 | 405 |
| Deferred tax movement in respect of share options | 10 | - | - | - | - | 301 | 301 |
| Share-based payments | 23 | - | - | - | - | 1,027 | 1,027 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Dividend paid | 12 | - | - | - | - | (622) | (622) |
| At 31 December 2022 - As restated | | 4,172 | 23,941 | (296) | 536 | 18,770 | 47,123 |
| | | | | | | | |
| Attributable profit for the period | | - | - | - | - | 3,076 | 3,076 |
| Other comprehensive expenses | | - | - | - | - | (421) | (421) |
| Total comprehensive income | | - | - | - | - | 2,655 | 2,655 |
| | | | | | | | |
| Exercise of share options | 22 | 15 | 291 | - | - | - | 306 |
| Issue of shares to Employee Share Ownership Trust | 22 | 7 | - | (7) | - | - | - |
| Transfer of own shares held by Employee Share Ownership Trust to employees | 22 | - | - | 259 | - | 223 | 482 |
| Deferred tax movement in respect of share options | 10 | - | - | - | - | (229) | (229) |
| Share-based payments | 23 | - | - | - | - | 757 | 757 |
| Dividend paid | 12 | - | - | - | - | (626) | (626) |
| **At 31 December 2023** | | **4,194** | **24,232** | **(44)** | **536** | **21,550** | **50,468** |

**CONSOLIDATED STATEMENT OF CASHFLOW**

| | Notes | **Year ended 31 December 2023** | As restated Year ended 31 December 2022 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Cashflows from operating activities** | | | |
| Profit after taxation | | **3,076** | 1,590 |
| Depreciation of property, plant and equipment | 13 | **333** | 191 |
| Amortisation of intangible assets | 14 | **5,294** | 4,723 |
| Amortisation of right-of-use assets | 16 | **556** | 714 |
| Profit on disposal of fixed assets | | **(11)** | - |
| Share-based payments | 23 | **757** | 1,027 |
| Increase in trade and other receivables | | **(790)** | (886) |
| Decrease/(increase) in contract assets | | **664** | (743) |
| (Decrease)/increase in trade and other payables | | **(680)** | 1,560 |
| Increase in contract liabilities | | **215** | 278 |
| Decrease in sales tax provision arising on acquisition | | **-** | (496) |
| Taxation | 10 | **1,013** | 279 |
| Net finance costs | 9 | **306** | 213 |
| Cash inflow from operations | | **10,733** | 8,450 |
| Income taxes received | 10 | **1,179** | 2,473 |
| Income taxes paid | | **(1,833)** | (1,893) |
| Net cash inflow from operating activities | | **10,079** | 9,030 |
| **Cashflows from investing activities** | | | |
| Interest received | 9 | **1** | 6 |
| Purchase of property, plant and equipment | 13 | **(191)** | (806) |
| Payment of contingent consideration on acquisition of Inforalgo | 20 | **-** | (369) |
| Payment of contingent consideration on acquisition of Electra | 20 | **(3,987)** | (3,987) |
| Payments to acquire intangible fixed assets | 14 | **(5,398)** | (5,195) |
| Net cash used in investing activities | | **(9,575)** | (10,351) |
| **Cashflows from financing activities** | | | |
| Interest paid | 9 | **(209)** | (138) |
| Principal paid on lease liabilities | 16 | **(676)** | (645) |
| Dividends paid | 12 | **(626)** | (622) |
| Drawdown on RCF loan facility | 21 | **3,278** | - |
| Repayment of RCF loan facility | 21 | **(3,278)** | - |
| Share issue proceeds (net of costs) | 22 | **242** | 69 |
| Net cash used in financing activities | | **(1,269)** | (1,336) |
| | | | |
| Net decrease in cash and cash equivalents | | **(765)** | (2,657) |
| Cash and cash equivalents at beginning of year | | **6,280** | 9,139 |
| Effect of foreign exchange rate changes | | **(741)** | (202) |
| **Cash and cash equivalents at end of year** | 19 | **4,774** | 6,280 |

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

## 1. Basis of preparation

The Group's financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards and international accounting standards as issued by the International Accounting Standards Board ("IASB") and Interpretations (collectively "IFRSs"). The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023.

The Group's financial statements have been prepared on a historical cost basis except contingent consideration.

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

## 2. Responsibility statements under the disclosure and transparency rules

The Annual Financial Report for the year ended 31 December 2023 contains the following statements:

The directors confirm that to the best of their knowledge:

The directors confirm that to the best of their knowledge:

- the Group financial statements have been prepared in accordance with UK adopted international accounting standards 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 2023 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.

The name and function of each of the directors for the year ended 31 December 2023 are set out in the Annual Financial Report 2023.

### 3. Prior Year restatement

*Revenue recognition policy*

Management changed their assessment as to whether software licensing, support and maintenance for non-Gresham-hosted deployments were distinct performance obligations and could therefore be unbundled. Management now consider that unbundling is not possible, largely due to changes in customer expectations, the maturity of subscription software selling, the pace of innovation in the fin-tech industry and precedents set over the decade plus life of the Clareti business to date. This change in assessment has resulted in a change in the accounting treatment for the recognition of revenue for on-premise license fees during the year. Previously this revenue was recognised at the point in time the license was delivered to the customer, following a review of customer contracts the revenue previously recognised was corrected to reflect the fact that performance obligations for the license fee were on-going through the contracted period and therefore these licenses should be treated as a right to access licence under IFRS 15 and not a right of use licence. Therefore, revenue should be recognised rateably over the contracted period. Administrative expenses have been adjusted for the amortisation of contracted sales commissions which has been recognised in line with revenue recognition in accordance with IFRS 15.

As result of this change revenue for the year ended 31 December 2022 has been restated, reducing revenue by £481,000 and increasing administrative expenses by £28,000. This adjustment has resulted in the restatement of the Group's opening reserves at 1 January 2022, its financial position as at 31 December 2022 and the results of the cashflows of the Group then ended. The impact of this change as at 1 January 2022 was to reduce the net assets by £1,911,000, increasing contract liabilities (current liabilities) by £1,986,000 and reducing contract assets by £75,000.

The impact of this adjustment has also reduced the taxation charge for the year ended 31 December 2022 by £77,000, with the deferred tax liability reducing by £90,000 and a £13,000 increase in corporation tax creditor. The impact of this change as at 1 January 2022 is to reduce the deferred tax liability by £265,000, the corporation creditor by £131,000 and increases income tax receivable by £64,000, with a corresponding increase of £460,000 to retained earnings.

*Foreign exchange differences on retranslation of intercompany balances*

Foreign exchange differences arising on intercompany trading balances have historically been recognised within Other Comprehensive Income within the consolidated financial statements and cumulatively recognised in the foreign currency translation reserve. In accordance with IAS21, exchange differences on intragroup balances should be recognised in the Income statement as they do not form part of Company's net investment in foreign operations.

As a result of the identification of this error, the Income statement has been restated to reflect the foreign exchange differences, with the impact increasing administrative expenses by £860,000 in the year ended 31 December 2022, with the corresponding correction recognised as a reduction within other comprehensive income. In addition, the previously separately recognised foreign currency translation reserve has been merged with the retained earnings reserve. This change has been applied retrospectively, restating the Group's opening reserves at 1 January 2022 and its financial position as at 31 December 2022. The impact of this change as at 1 January 2022 was to reduce retained earnings by £378,000 and to increase Foreign currency translation reserve by £378,000.

The combined impact of these changes are detailed below:

*Consolidated Income Statement*

Year ended 31 December 2022

| | As previously reported | Change in revenue recognition | Foreign exchange differences | As restated |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Revenue | 48,719 | (481) | - | 48,238 |
| Gross profit | 33,945 | (481) | - | 33,464 |
| Administrative expenses | (30,494) | (28) | (860) | (31,382) |
| Profit before taxation | 3,238 | (509) | (860) | 1,869 |
| Taxation | (356) | 77 | - | (279) |
| Profit after taxation | 2,882 | (432) | (860) | 1,590 |

*Consolidated Statement of Financial Position*

At 1 January 2022

| | As previously reported | Change in revenue recognition | Foreign exchange differences | As restated |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Current assets | | | | |
| Contract assets | 1,665 | 75 | - | 1,740 |
| Income tax receivable | 1,204 | 64 | - | 1,268 |
| Total current assets | 17,411 | 139 | - | 17,550 |
| Current liabilities | | | | |
| Contract liabilities | (12,048) | (1,986) | - | (14,034) |
| Income tax payable | (131) | 131 | - | - |
| Total current liabilities | (24,333) | (1,855) | - | (26,188) |
| Non-current liabilities | | | | |

| | | | | |
|---|---|---|---|---|
| Deferred tax liability | (6,831) | 265 | - | (6,566) |
| Total liabilities | (35,713) | (1,590) | - | (37,303) |
| Equity | | | | |
| Retained earnings | 18,288 | (1,451) | (378) | 16,459 |
| Foreign currency translation reserve | (378) | - | 378 | - |
| Total equity | 45,881 | (1,451) | - | 44,430 |

| At 31 December 2022 | As previously reported | Change in revenue recognition | Foreign exchange differences | As restated |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Current assets | | | | |
| Contract assets | 2,558 | 47 | - | 2,605 |
| Current liabilities | | | | |
| Contract liabilities | (11,070) | (2,467) | - | (13,537) |
| Income tax payable | (244) | 182 | - | (62) |
| Total current liabilities | (24,106) | (2,285) | - | (26,391) |
| Non-current liabilities | | | | |
| Deferred tax liability | (6,067) | 355 | - | (5,712) |
| Total liabilities | (31,626) | (1,930) | - | (33,556) |
| Equity | | | | |
| Retained earnings | 21,968 | (1,883) | (1,315) | 18,770 |
| Foreign currency translation reserve | (1,315) | - | 1,315 | - |
| Total equity | 49,006 | (1,883) | - | 47,123 |

*Earnings per share*

For the year ended 31 December 2022 the impact has reduced basic and diluted earnings per share from 3.46 pence per share to 1.91 pence per share and from 3.41 pence per share to 1.88 pence respectively.

## 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 Officer and the Board of Directors.

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

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

- Clareti Solutions - supply of solutions predominantly to the finance and banking markets across Asia Pacific, EMEA and North America. Includes both software and services that can be accessed in the cloud, on-premise or deployed into hybrid environments. These primary offerings within this segment include:
  - *Clareti Control products*
  - *Clareti Connect products*
- Other Solutions - supply of a range of well-established solutions to enterprise-level customers in a variety of end markets
- Clareti Contracting Services - supply of IT contracting services to one banking customer. Services provided relate to Clareti products
- Contracting Services - supply of IT contracting services to one banking customer, excluding Clareti Contracting Services.

The Clareti Solutions reportable segment has been analysed separated between Solutions and Contracting Services in the tables below. The separate analysis is provided following the announcement in November 2023 that the agreement for contracting services business was being terminated in 2024. This reflects how the business is reported to Management and the Board of Directors and how the business will be monitored going forward.

The prior year segmental analysis has been updated to reflect this change.

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.

| | Notes | Clareti Solutions | Clareti Contracting Services | **Other Solutions** | **Contracting Services** | **Adjustments, central overheads and elimination** | **Consolidated** |
|---|---|---|---|---|---|---|---|
| **2023** | | £'000 | £'000 | £'000 | £'000 | **£'000** | **£'000** |
| Revenue | 4 | 36,281 | 1,501 | 4,653 | 6,577 | | **49,012** |
| Cost of sales | | (3,415) | (1,301) | (2,320) | (5,754) | | **(12,790)** |
| Gross profit | | 32,866 | 200 | 2,333 | 823 | | **36,222** |
| *Gross profit %* | | *91%* | *13%* | *50%* | *13%* | | ***74%*** |
| Adjusted administrative expenses | | (29,363) | - | (68) | - | | **(29,431)** |
| Adjusted operating profit | | 3,503 | 200 | 2,265 | 823 | | **6,791** |
| Adjusting administrative items: | | | | | | | |
| Exceptional items | 5 | | | | | **40** | **40** |
| Foreign exchange differences on retranslation of intercompany balances | 6 | | | | | **636** | **636** |
| Amortisation of acquired intangibles | 14 | | | | | **(2,315)** | **(2,315)** |
| Share-based payments | 23 | | | | | **(757)** | **(757)** |

| | | | |
|---|---|---|---|
| payments | | [illegible] | [illegible] |
| Adjusting administrative expenses | | **(2,396)** | **(2,396)** |
| Operating profit | | | **4,395** |
| Finance revenue | 9 | | **1** |
| Finance costs | 9 | | **(307)** |
| Profit before taxation | | | **4,089** |
| Taxation | 10 | | **(1,013)** |
| Profit after taxation | | | **3,076** |
| Adjusted operating profit | | | **6,791** |
| Amortisation of intangibles | 14 | | **2,979** |
| Depreciation of property, plant and equipment | 13 | | **333** |
| Amortisation of right-of-use assets | 16 | | **556** |
| **Adjusted EBITDA** | | | **10,659** |
| Development costs capitalised | 14 | | **(5,297)** |
| Principal paid on lease liabilities | 16 | | **(676)** |
| **Cash adjusted EBITDA** | | | **4,686** |
| Segment assets | | | **79,123** |
| Segment liabilities | | | **(28,655)** |

| **2022 (as restated)** | Notes | Clareti Solutions £'000 | Clareti Contracting Services £'000 | Other Solutions £'000 | Contracting Services £'000 | Adjustments, central overheads and elimination £'000 | **Consolidated £'000** |
|---|---|---|---|---|---|---|---|
| Revenue | 4 | 32,888 | 2,150 | 4,976 | 8,224 | | **48,238** |
| Cost of sales | | (3,164) | (1,868) | (2,546) | (7,196) | | **(14,774)** |
| Gross profit | | 29,724 | 282 | 2,430 | 1,028 | | **33,464** |
| *Gross profit %* | | *90%* | *13%* | *49%* | *13%* | | ***69%*** |
| Adjusted administrative expenses | | (26,926) | - | (101) | - | | **(27,027)** |
| Adjusted operating profit | | 2,798 | 282 | 2,329 | 1,028 | | **6,437** |
| Adjusting administrative items: | | | | | | | |
| Exceptional costs | 5 | | | | | (153) | (153) |
| Foreign exchange differences on retranslation of intercompany balances | 6 | | | | | (860) | (860) |
| Amortisation of acquired intangibles | 14 | | | | | (2,315) | (2,315) |
| Share-based payments | 23 | | | | | (1,027) | (1,027) |
| Adjusting administrative expenses | | | | | | (4,355) | (4,355) |
| Operating profit | | | | | | | 2,082 |
| Finance revenue | 9 | | | | | | 6 |
| Finance costs | 9 | | | | | | (219) |
| Profit before taxation | | | | | | | 1,869 |
| Taxation | 10 | | | | | | (279) |
| Profit after taxation | | | | | | | 1,590 |
| Adjusted operating profit | | | | | | | 6,437 |
| Amortisation of intangibles | 14 | | | | | | 2,408 |
| Depreciation of property, plant and equipment | 13 | | | | | | 191 |
| Amortisation of right-of-use assets | 16 | | | | | | 714 |
| **Adjusted EBITDA** | | | | | | | 9,750 |
| Development costs capitalised | 14 | | | | | | (5,195) |
| Principal paid on lease liabilities | 16 | | | | | | (645) |
| **Cash adjusted EBITDA** | | | | | | | 3,910 |
| Segment assets | | | | | | | 80,679 |
| Segment liabilities | | | | | | | (33,556) |

The Group has a customer relationship with one banking customer which is considered by the Directors to be individually significant; revenue from this relationship exceeded 10% of the Group's revenue, totalling £17,589,000 (2022: £20,604,000) which includes contracting revenue of £8,078,000 (2022: £10,374,000).

***Adjusting administrative items***

Operating performance is analysed excluding exceptional items, share-based payment charges and amortisation from acquired intangibles which is consistent in with the way in which the Board and most stakeholders review the financial performance of the Group. These adjusting items are all either non-cash or non-recurring IFRS expenses (or income) that do not reflect the underlying performance of the business. In the case of share-based payment charges, management acknowledge that these awards are potentially paid in "lieu" of cash salary or bonuses, however the actual charge represents a non-cash expense. Adjusting for these items is also consistent with the manner in which a number of similar small and mid-cap LSE (or AIM) listed present their results and how we understand the investment community to assess performance, where, for growth shares the recurring cash performance of the business is considered most important. In addition, these adjustments are also aligned with the performance methodology used by the panel of debt providers that tendered for the revolving credit facility established during the year in order to assess and continually monitor credit worthiness, risk and upon which covenants are set.

The adjusting administrative items are:

| | 2023 | As restated 2022 |
|---|---|---|
| | £'000 | £'000 |
| Acquisition and associated integration costs | - | 153 |
| Professional fees | 79 | - |
| Exceptional costs | 79 | 153 |
| Exceptional income | (119) | - |
| Total exceptional items | (40) | 153 |
| | | |
| Foreign exchange differences on retranslation of intercompany balances | (636) | 860 |
| Amortisation on acquired intangibles | 2,315 | 2,315 |
| Share-based payments | 757 | 1,027 |
| Total adjusting administrative items | 2,396 | 4,355 |

During the year the Group incurred £79,000 exceptional costs relating to termination costs of supplier contracts following the closure of the EDT business and one-off corporate costs including legal and professional fees.

The exceptional income related to payroll tax relief received from the Australian tax authorities as a result of a post-Covid pandemic scheme.

In 2022 exceptional costs related to legal and professional fees for the integration of prior year acquisitions.

Due to the amount and nature of amortisation of acquired intangibles and share-based payments both costs were treated as an adjusting administrative item.

***Adjusted EBITDA***

Adjusted EBITDA is disclosed within the financial statements to show the underlying performance of the Group on a consistent basis and to aid understanding of the financial performance during the year.

| | Notes | 2023 | As restated 2022 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Profit before taxation** | | 4,089 | 1,869 |
| Adjusting items: | | | |
| Amortisation of intangibles | 14 | 5,294 | 4,723 |
| Depreciation of property, plant and equipment | 13 | 333 | 191 |
| Amortisation of right-to-use assets | 16 | 556 | 714 |
| Notional interest on lease liabilities | 9 | 58 | 45 |
| Finance revenue | 9 | (1) | (6) |
| Interest payable | 9 | 249 | 174 |
| **EBITDA** | | 10,578 | 7,710 |
| | | | |
| Net exceptional items | 5 | (40) | 153 |
| Foreign exchange differences on retranslation of intercompany balances | 5 | (636) | 860 |
| Share-based payments | 23 | 757 | 1,027 |
| **Adjusted EBITDA** | | 10,659 | 9,750 |

Adjusted EBITDA is not an IFRS measure or not considered to be a substitute for or superior to any IFRS measures. It is not directly comparable to other companies.

| ***Geographic information*** | 2023 | As restated 2022 |
|---|---|---|
| | £'000 | £'000 |
| **Revenues from external customers (by destination)** | | |
| UK | 8,114 | 6,832 |
| EMEA | 4,635 | 4,128 |
| United States | 16,686 | 14,568 |
| Americas | 1,146 | 1,307 |
| Australia | 17,726 | 20,851 |
| Asia Pacific | 705 | 552 |
| | 49,012 | 48,238 |

EMEA includes revenue from external customers located primarily in the Netherlands, Luxembourg, Switzerland, Sweden, and South Africa. Americas includes revenue primarily from Canada. Asia Pacific includes revenue from external customers located primarily in Malaysia and Singapore.

| | 2023 | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| **Non-current assets** | | |
| UK | **62,854** | 63,077 |
| EMEA | **454** | 425 |
| North America | **1,269** | 740 |
| Asia Pacific | **726** | 1,037 |
| | **65,303** | 65,279 |

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

## 5. Taxation

***Tax on profit on ordinary activities***

Tax charge in the Income Statement

| | 2023 | As restated 2022 |
|---|---|---|
| | **£'000** | £'000 |
| *Current income tax* | | |
| Overseas tax charge - adjustment to prior years | **41** | 45 |
| Overseas tax charge - current year | **1,503** | 1,583 |
| UK corporation tax credit - adjustment to prior years | **(949)** | (1,293) |
| Total current income tax | **595** | 335 |
| | | |
| *Deferred income tax* | | |
| Movement in net deferred tax liability | **418** | (56) |
| Total deferred income tax | **418** | (56) |
| Total charge in the Income Statement | **1,013** | 279 |

The UK corporation tax credit included £1,162,000 (2022: £1,273,000) relating to the surrender of prior year tax losses under the HMRC R&D tax credit scheme.

***Reconciliation of the total tax charge***

The tax charge in the Income Statement for the year is higher (2022: lower) than the standard rate of UK corporation tax for the period of 23.5% (2022: 19.0%). The differences are reconciled below:

| | 2023 | As restated 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Profit before taxation | **4,089** | 1,869 |
| Profit before taxation multiplied by the UK standard rate of corporation tax for the period of 23.5% (2022: 19.0%) | **961** | 355 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **460** | 573 |
| Impact of tax rate change on timing differences | **-** | 139 |
| Difference in overseas tax rates | **194** | 375 |
| Movement in unprovided deferred tax losses | **545** | 97 |
| Adjustments to prior years in respect of current tax | **(908)** | (1,248) |
| Adjustments to prior years in respect of deferred tax | **2,150** | 2,165 |
| Research and development enhanced relief claim | **(2,389)** | (2,177) |
| Total tax charge reported in the Income Statement | **1,013** | 279 |

Tax credit recognised in equity:

| | 2023 | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Deferred tax (charge)/credit recognised directly in equity | **(229)** | 301 |
| Total tax (charge)/credit recognised directly in equity | **(229)** | 301 |

***Deferred tax***

*Deferred tax liabilities*

The movement on the net deferred tax liability is shown below:

| | 2023 | As restated 2022 |
|---|---|---|
| | **£'000** | £'000 |
| At 1 January | **(5,712)** | (6,334) |
| Recognised in income | **(418)** | 56 |
| Recognised in equity | **(229)** | 301 |
| Foreign exchange | **7** | 265 |
| At 31 December | **(6,352)** | (5,712) |

Deferred tax recognised relates to the following:

| | 2023 | As restated 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Tax losses available for offset against future taxable income | **3,550** | 4,334 |
| Employee share award schemes | **503** | 766 |
| Capitalised development costs | **(5,843)** | (5,577) |
| Accelerated depreciation for tax purposes on fixed assets | **333** | 540 |
| Other timing differences | **403** | 379 |
| Inter-group sale of intellectual property | **(988)** | (1,300) |
| Acquired intangibles - software and customer relationships | **(4,310)** | (4,854) |
| 31 December | **(6,352)** | (5,712) |

| *Comprising:* | **2023** | As restated 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Asset | **137** | - |
| Liability | **(6,489)** | (5,712) |
| 31 December | **(6,352)** | (5,712) |

***Unrecognised tax losses***

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

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a credit of £99,000 (2022: credit £15,000).

***Temporary differences associated with Group investments***

At 31 December 2023, there was no recognised deferred tax liability (2022: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

Unrecognised potential deferred tax assets

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

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Gresham Technologies (Luxembourg) S.A. | **665** | 793 |
| Gresham Technologies (Holdings) SARL | **128** | 109 |
| Gresham Technologies (Singapore) Limited | **235** | 137 |
| Gresham Technologies (TDI) Limited | **73** | 119 |
| Tax losses | **1,101** | 1,158 |
| | | |
| Gross tax losses unrecognised | **4,859** | 5,155 |

Future tax rates

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

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

| | **2023** | 2022 |
|---|---|---|
| | **%** | % |
| UK | **25** | 25 |
| Luxembourg | **25** | 25 |
| Australia | **30** | 30 |
| Singapore | **17** | 17 |
| US | **27** | 27 |

## 6. Earnings

***Earnings per share***

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

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

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

| | **2023** | As restated 2022 |
|---|---|---|
| Basic weighted average number of shares | **83,669,390** | 83,393,061 |
| Employee share options - weighted (note 23) | **2,917,224** | 1,133,957 |
| Diluted weighted average number of shares | **86,586,614** | 84,527,018 |

| | Notes | **2023** | 2022 |
|---|---|---|---|
| | | **£'000** | £'000 |
| Adjusted earnings attributable to owners of the Parent | | **5,472** | 5,945 |
| Adjusting items: | | | |
| Exceptional items | 5 | **40** | (153) |
| Foreign exchange differences on retranslation of intercompany balances | 5 | **636** | (860) |
| Amortisation of acquired intangibles | 14 | **(2,315)** | (2,315) |
| Share-based payments | 23 | **(757)** | (1,027) |
| Statutory earnings attributable to owners of the Parent | | **3,076** | 1,590 |

| *Earnings per share* | | |
|---|---|---|
| *Statutory* | **pence** | pence |
| Basic earnings per share | **3.68** | 1.91 |
| Diluted earnings per share | **3.55** | 1.88 |
| | | |
| *Adjusted* | | |
| Basic earnings per share | **6.54** | 7.13 |
| Diluted earnings per share | **6.32** | 7.03 |

During the year ended 31 December 2023, share options granted under share option schemes were exercised and the Group issued 285,000 (2022: 85,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). Shares totalling 140,000 were issued and transferred to the Employee Share Ownership Trust during the year. See note 22 for further details.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this Annual Financial Report 2023.

## 7. Dividends paid and proposed

The final dividend for the year ended 31 December 2022 was approved at the Company Annual General Meeting on 23 May 2023 and paid on 26 May 2023 of 0.75 pence per share, equating to a total of £626,000. The Board has declared an interim dividend of 0.75 pence per share (2022: £nil) instead of a final dividend (2022: 0.75p).

## 8. Intangible assets

| | | | Separately identified intangibles on acquisition | | | |
|---|---|---|---|---|---|---|
| | **Development costs** | **Patents and licences** | **Software** | **Customer relationships** | **Goodwill** | **Total** |
| **2023** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| *Cost* | | | | | | |
| At 1 January | **36,301** | **777** | **12,120** | **14,210** | **19,903** | **83,311** |
| Additions | **5,297** | **101** | **-** | **-** | **-** | **5,398** |
| Disposals | **-** | **(85)** | **-** | **-** | **-** | **(85)** |
| Exchange adjustment | **(41)** | **(4)** | **-** | **-** | **(60)** | **(105)** |
| At 31 December | **41,557** | **789** | **12,120** | **14,210** | **19,843** | **88,519** |
| | | | | | | |
| At 1 January | **(12,745)** | **(730)** | **(4,317)** | **(2,481)** | **(250)** | **(20,523)** |
| Charge for year | **(2,934)** | **(45)** | **(1,212)** | **(1,103)** | **-** | **(5,294)** |
| Eliminated on disposal | **-** | **85** | **-** | **-** | **-** | **85** |
| Exchange adjustment | **34** | **4** | **-** | **-** | **36** | **74** |
| At 31 December | **(15,645)** | **(686)** | **(5,529)** | **(3,584)** | **(214)** | **(25,658)** |
| | | | | | | |
| *Net carrying amount* | | | | | | |
| At 31 December | **25,912** | **103** | **6,591** | **10,626** | **19,629** | **62,861** |
| At 1 January | **23,556** | **47** | **7,803** | **11,729** | **19,653** | **62,788** |

| | | | Separately identified intangibles on acquisition | | | |
|---|---|---|---|---|---|---|
| | **Development costs** | **Patents and licences** | **Software** | **Customer relationships** | **Goodwill** | **Total** |
| **2022** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| *Cost* | | | | | | |
| At 1 January | 31,072 | 858 | 12,120 | 14,210 | 19,848 | 78,108 |
| Additions | 5,195 | - | - | - | - | 5,195 |
| Disposals | - | (91) | - | - | - | (91) |
| Exchange adjustment | 34 | 10 | - | - | 55 | 99 |
| At 31 December | 36,301 | 777 | 12,120 | 14,210 | 19,903 | 83,311 |
| | | | | | | |
| At 1 January | (10,378) | (763) | (3,105) | (1,378) | (217) | (15,841) |
| Charge for year | (2,360) | (48) | (1,212) | (1,103) | - | (4,723) |
| Eliminated on disposal | - | 91 | - | - | - | 91 |
| Exchange adjustment | (7) | (10) | - | - | (33) | (50) |
| At 31 December | (12,745) | (730) | (4,317) | (2,481) | (250) | (20,523) |
| | | | | | | |
| *Net carrying amount* | | | | | | |
| At 31 December | 23,556 | 47 | 7,803 | 11,729 | 19,653 | 62,788 |
| At 1 January | 20,694 | 95 | 9,015 | 12,832 | 19,631 | 62,267 |

<u>Development costs</u>

Development costs are internally generated and are capitalised at cost. These intangible assets have been assessed as having a finite life and are amortised on a straight-line basis over their useful lives of two to ten years. These assets are tested for impairment where an indicator of impairment arises and on an annual basis.

For the years ended 31 December 2023 and 31 December 2022 the Group has capitalised development costs in respect of individual Clareti applications which have been individually assessed against the required capitalisation criteria and been individually assigned useful economic lives reflecting the maturity and availability of comparable applications in our markets. These useful economic lives are assessed to be between two and ten 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 ten years.

<u>Patents and licences</u>

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.

<u>Separately identified acquired intangibles</u>

Separately identified intangibles acquired through business combinations represent software and customer relationships which arose through the acquisitions of C24 Technologies, B2 Group, Inforalgo and Electra Information Systems.

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

Customer relationships are amortised over their useful economic life, which is deemed to be twelve years for the Electra acquisition, eight years for the Inforalgo and C24 Technologies acquisitions and six years for B2 Group.

Goodwill

Goodwill arose on the acquisition of our Asia Pacific real-time financial solutions business, C24 Technologies, B2 Group, Inforalgo and Electra Information Systems. It is assessed as having an indefinite life and is assessed for impairment at least annually.

## 9. Related party transactions

***Key management compensation (including Directors)***

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Directors' emoluments | | |
| Remuneration | **662** | 652 |
| Social security costs | **102** | 137 |
| Bonuses | **136** | 298 |
| Pension | **23** | 22 |
| Share-based payments | **175** | 406 |
| | **1,098** | 1,515 |

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

## 10. Events after the reporting date

An interim dividend of 0.75 pence per share has been declared by the Board (2022: £nil) instead of a final dividend (2022: 0.75p).

On 9 April 2024, the Boards of Gresham and Bidco announced the recommended acquisition of Gresham by Bidco at a price of 163 pence per Gresham share, plus the interim dividend of 0.75 pence per Gresham share declared today. The transaction is conditional on, amongst other things, the approval of Gresham shareholders by the requisite majorities of resolutions to be proposed at a Court Meeting and a General Meeting, both convened for 16 May 2024. The Scheme Document and other documentation in relation to the acquisition were published on 18 April 2024 and are available on the Investor Hub on the Gresham website.

## 11. Additional information

*Principal risks and uncertainties*

The principal risks and uncertainties facing the Group together with actions being taken to mitigate them and future potential items for consideration are set out in the Strategic Report section of the Annual Financial Report 2023.

[1] BFSI Security Market Size & Share Report, 2025