

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

Gresham’s award-winning Clareti software platform has been designed to provide financial institutions with complete certainty in their data processing. Clareti is a highly flexible and fully scalable platform for assuring enterprise data integrity and is designed to address today’s most challenging financial control, internal risk management, data governance and regulatory compliance problems.

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

→ Find out more online
greshamtech.com

Group revenues

£17.2m



Clareti revenues

£7.5m



Statutory profit before tax

£2.2m



Group annualised recurring revenues

£9.1m



Clareti annualised recurring revenues

£2.9m



Adjusted EBITDA*

£3.8m





Annual Highlights

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Highlights

- Continued strong Clareti customer progress in 2016, with eleven new customer wins in the UK, the US and Asia Pacific and continued expansion of use from the existing customer base through increased existing usage and new use cases.
- Completed the acquisition of C24 Technologies Limited (C24), adding approximately thirty-five C24 customers to the Clareti client base.
- Group revenues up 16% to £17.2m (2015: £14.8m), of which Clareti revenues were up 42% to £7.5m (2015: £5.3m), including £0.3m from C24. Other revenues remained stable as planned.
- Clareti software revenues up 38% to £4.7m (2015: £3.4m), of which Clareti software recurring revenues up 53% to £2.9m (2015: £1.9m).
- Clareti annualised recurring revenues up 92% to £4.6m as at 31 December 2016 (2015: £2.4m), including £1.2m from C24.
- Adjusted EBITDA* up 41% to £3.8m (2015: £2.7m).
- Statutory profit before tax as reported up 38% to £2.2m (2015: £1.6m).
- Adjusted diluted earnings per share** up 38% to 4.67p (2015: 3.38p).
- Cash £7.2m and no debt at 31 December 2016 (2015: £4.7m and no debt), benefiting from strong customer cash collection in the last quarter of the year.
- Continued investment in product innovation and global sales and marketing to build recurring revenues.
- Three new CTC customer wins achieved to date in 2017.
- Management confident about the prospects for the Group.

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

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

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At a glance

Our vision is to give clients the control and certainty they need in a world awash with real-time streaming data. We aim to establish Gresham as the market leader in real-time transaction control and enterprise data integrity solutions, by delivering innovative software solutions to clients that assure the integrity of data systems and optimise data management activities.

Data integrity

Our business is about solving data integrity issues for clients and we focus on the following areas:

- 1 Regulatory Compliance**
 Automating data verification and validation processes to solve data integrity issues and deliver accurate transaction reports to regulators.
- 2 Internal Risk Control**
 Assuring data integrity in real time across multiple systems to manage and control operational and conduct risks.
- 3 Financial Control**
 Achieving full integrity and financial control of books and records to improve business processes and ensure consistent data systems.
- 4 Transition Management**
 Data integrity checks in business transition or transformation projects to ensure accuracy of transactional data at all stages.

Clareti solutions

Our Clareti software applications provide innovative industry and domain-specific solutions for real-time data management and include:



Clareti Transaction Control
 High performance enterprise data control solution for data validation and real-time transaction matching and reconciliation.



Clareti Accounts Receivable Management
 Receivables management application with automated matching, reconciliation and allocation to reduce the order-to-cash cycle.



Clareti 24 Integration Objects
 Integration software to enable rapid adoption of financial message standards and transform complex data types.



Clareti Loan Control
 Front-to-back loan servicing solution that enables effective and auditable management of simple and complex loan portfolios.



Clareti Data Accelerator
 Data management solution that enables holistic and real-time monitoring of quality across enterprise data assets.



Certified to latest PCI Data Security Standard



Ranked number 38, up five places from previous year



Best Regulatory Compliance Solution for Operations



RiskTech100® Data Integrity and Control Category Winner

Clareti services

Our Clareti services are provided by highly skilled professionals with deep industry knowledge and include:



Claret-as-a-Service

Clareti solutions accessible via Gresham's secure and scalable cloud platform.



Managed Services

Ongoing technical and operational Clareti services delivered by subject-matter experts.



Consulting and implementation services and custom product development

Deployment and bespoke services provided by experienced Clareti professionals.



"Bank-grade" global 24/7 support

Effortless end-to-end support from our global offices with SLA guarantees.

Clareti platform

Clareti was designed as a faster, more agile, more visionary data integrity platform that pushes the boundaries of innovation, while guaranteeing robust control and accountability. Clareti provides a control framework for accuracy, completeness and timeliness and enables rapid deployment of enterprise controls.

Key features include:

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



Clareti Adapters

Financial message standards leveraging Clareti 24 Integration Objects technology.

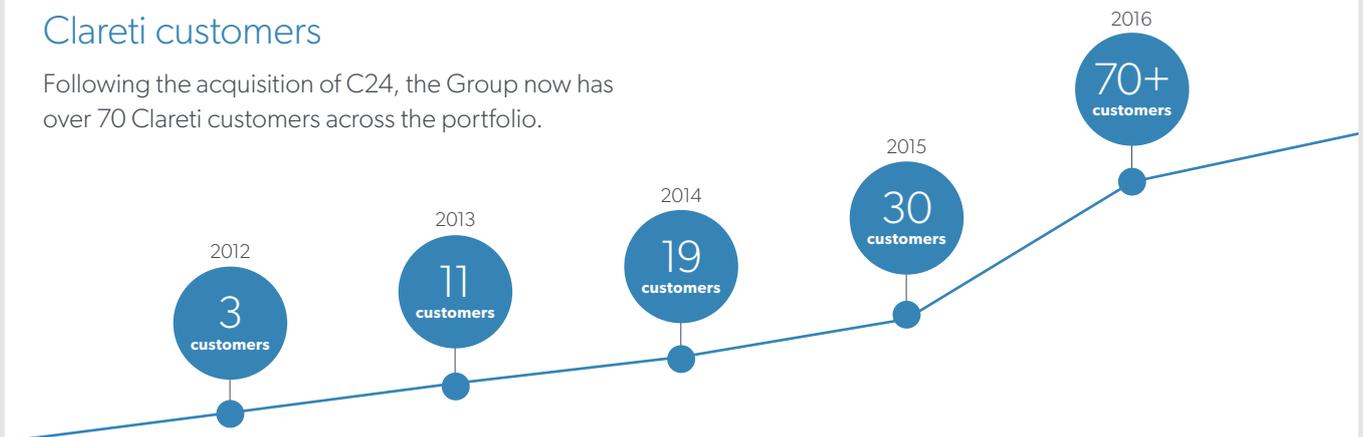


Clareti Analytics

Richer business insights and data analytics for executives and operational managers.

Clareti customers

Following the acquisition of C24, the Group now has over 70 Clareti customers across the portfolio.



Chairman's statement



Ken Archer

Dear shareholder

I am pleased to present this Annual Report which records a very successful year for the Group, meeting management's expectations for both strategy execution and financial performance.

Overview

Gresham continued its good progress in executing on key strategic objectives, and I am delighted with our 16% top-line growth with total revenues for the Group rising to £17.2m. Importantly, the additional revenues are driven by high margin recurring and new Clareti sales, which has resulted in a strong increase in annualised recurring revenues (17% over 2015) and associated growth in underlying profitability (adjusted EBITDA up 41% over 2015).

As in 2015, the Group's Clareti sales growth has been driven by our clients' focus on internal risk management and responding to regulatory demands over their financial transaction flows. The volumes and complexity of these transactions give rise to increasing operating costs and risk exposure to market participants. Clareti offers clients a strategic platform to address these challenges. Financial transactions and their attendant interactions, both within client organisations and with their counterparties, are evident in all financial institutions, and Gresham has been successful in addressing these needs in several new market segments.

The Group has made good progress in expanding the adoption of Clareti solutions globally. I was particularly pleased with the CTC win that we announced with the Tier 1 US bank in December 2016. The US market has the potential for much higher growth, and the Board continues to support the ongoing investments in direct sales resources, in addition to forming strategic alliances to further expand distribution capacity.

The non-Clareti parts of the business once again provided a valuable contribution to the Group's results, with the partner solutions and legacy software revenues that are in long-term decline showing resilience, and a solid performance from our Australian contracting business.

Ongoing investments

The Board continues to believe there is a very significant market opportunity for data integrity and control solutions, and that ongoing investment in key strategic areas is essential. Accordingly, the Company is building additional Clareti solutions to address specific industry segment problems, including a data management application and enhanced analytics capabilities. These are expected to generate revenue growth from both new and existing clients.

In addition, the Board is actively pursuing growth through carefully selected acquisitions and strategic partnerships. In October 2016, we announced the acquisition of C24 Technologies, a company that has developed a series of plug-in interfaces to connect to industry-standard financial messaging networks, thereby expanding the market opportunity for the Group's Clareti solutions. The acquisition resulted in a doubling of Gresham's customer base and further increases in recurring revenue. In addition, we have partnered with loan servicing specialists Mount Street Loan Solutions to build Clareti Loan Control (CLC), a cloud-based loan administration system.

These strategic investments will enable us to grow our existing customer base and attract new customers from numerous market segments.

Board changes

In September 2016, Imogen Joss replaced Max Royde as Senior Independent Non-Executive Director. Imogen has worked within the financial sector for over 20 years and brings extensive experience in financial sales and marketing. Imogen's executive career includes leadership roles in a range of high profile financial services organisations including S&P Global, Lloyds Bank, Reuters Plc and FTSE Group. I would like to thank Max for his significant contribution to the Board's efforts over the past seven years.

Shareholder value

The Board recognises and appreciates shareholders' long-standing and ongoing commitment to Gresham. Our share price has experienced a degree of volatility in the year which is common for the small cap market, but it is pleasing to note that the overall upward trend persists. Earnings per share increased to 4.67 pence on an adjusted and diluted basis (2015: 3.38 pence).

As reported last year, the Board is committed to commencing a progressive dividend as soon as circumstances are considered to be appropriate, having regard to the need for ongoing investments to support long-term growth. The Board's firm intention remains to declare a maiden dividend in respect of the financial year 2017.

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

In summary

With our continued investment in the Clareti portfolio and sales and marketing expansion, I anticipate further improvement in our market position as we respond to the growing demand for transparency and integrity over risk and financial data processing.

It has been a very successful year for the Group, which of course is made up of a great many team and individual successes. This is a testament to the hard work, expertise and professionalism of the Gresham team. I would like to thank the management and staff for their continued support and resolve to achieve success in our pursuit of market leadership in real-time transaction control and enterprise data integrity.

Ken Archer
Non-Executive Chairman

13 March 2017



Ian Manocha

Dear shareholder

I am pleased to report a further year of very positive progress aligned with the strategic plan agreed with the Board. In 2016, we delivered solid Clareti software revenue growth driven by high quality new customer wins and excellent retention and growth from existing customers. Our legacy software portfolio remained stable, and our professional services business grew profitably adding value to the core licence relationships. We stepped up our investment in both business development and product development, and at the same time improved gross margins and earnings.

This was a confident performance from a highly motivated, talented and well-aligned team. Alongside the new sales wins our customer satisfaction, referenceability and retention was sustained at excellent levels. During the year, we also refreshed the Company name and brand, consolidated our R&D operations at our new Innovation Labs in Bristol, developed a 24/7 support infrastructure for cloud and global clients, and further strengthened the organisation and the senior team to deliver sustainable success.

Objectives and strategy

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

The Group's ongoing investment in sales and product development, combined with our deep domain experience in financial markets and strong customer-centric culture, means we are well positioned at a time when the pressure on market participants to be in complete control of their business has never been greater. We want to be the first company organisations turn to when they need to be in control of their data and their data-driven processes.

CTC, our flagship offering, is maturing from a niche challenger in the matching and reconciliations market into a mainstream offering with broad appeal across many financial services segments. We aim to establish the Clareti platform within the financial industry as a "de facto" standard technology for firms with complex data processing challenges who need to improve integrity and evidence control. Our award in 2016 from Chartis, naming us as "category winner for data integrity and control in financial services", confirmed the market potential and the completeness of our offering.

In 2017, we will continue to invest in innovative new data integrity and control products such as Clareti Loan Control and Clareti Data Accelerator to broaden the commercial opportunity for our core platform. We will also develop chargeable upgrades to the platform, such as Clareti Adapters (based on C24 technology) and Clareti Analytics, to drive growth in our existing accounts. Our approach to new product development is to leverage our core technology assets to develop IP-rich applications that address repeatable industry problems that are not well served by established players.

Acquisitions

During 2016, the Group made its first acquisition since setting out on the Clareti-led strategy in 2010. The C24 Technologies business has now been fully integrated and we are pleased with the technology assets, the loyal client base, and the talent we have acquired. Since the acquisition, we have signed three new standalone Clareti 24 Integration Objects clients, and have already enhanced the software to interface directly with our Clareti platform and thereby facilitate cross-selling into the CTC customer base as Clareti Adapters. The C24 team have settled in well and are now working to bring Clareti Data Accelerator to market.

The experience gained from the acquisition has been valuable and during 2017 the Group will look for further accretive acquisitions that bring complementary technology, build our recurring licence revenues, and enable us to grow faster.

Outlook and opportunity

In 2017, Clareti solutions are expected to deliver more than half of all Group revenues. We expect Clareti sales success to come largely from direct CTC sales in the UK, Europe and North America where there is strong demand for newer more agile technologies, with Clareti-as-a-Service providing incremental hosting revenues in an increasing proportion of cases. We are tracking US banking regulatory developments carefully and remain confident in our strategy to invest in the North American market.

We should also see steady revenue growth from the existing Clareti base including our bank partners who white label our technology, and we will build our network of OEM partners and industry alliances to drive future sales growth at lower acquisition costs. Mount Street, our debt servicing partner, are now live on Clareti Loan Control (CLC) and growing their business, which in time will lead to an increasing financial contribution from our joint venture.

We will continue to efficiently manage our legacy software revenues, including EDT, VME, and other OEM solutions, as they gradually run off in the medium to long term. One of our lower margin OEM offerings is being retired over the next two years and as a result we have planned for our total legacy software revenues to decline in 2017. Conversely, our non-core, low margin services contracting business is expected to grow revenues during the year.

We are confident our strategy is on track and we have an ambitious plan to address a growing market. Furthermore, we are excited about the opportunity to create a global leader in enterprise data integrity and certain about our ability to deliver sustainable long-term profitable growth for our shareholders.

Thank you for your ongoing support.

Ian Manocha
Chief Executive

13 March 2017

Innovative software solutions

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

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We saw the clear potential for CTC to introduce efficiencies into our operational environment and the ability for CTC to accelerate us towards our goal of a scalable operating model that leverages cutting-edge technology to eliminate dependence on manual processes.

The team was attentive, responsive, informed and supportive throughout the entire process. They leveraged their experience to help us thoughtfully frame our thinking as we explored our current state processes to determine how best to implement the tool in our operational environment.

US Tier 1 bank

Introduction

Financial institutions are subject to increasingly rigorous and complex data control and processing requirements. This has created a global market for flexible and scalable technology that can be used to address specific problems in the financial services sector, such as financial control, internal risk management, data governance and regulatory compliance.

Platform

Gresham's Clareti platform is a purpose-built, highly flexible and fully scalable platform for enterprise data integrity and control that is designed to solve such industry problems. It allows financial institutions to gain real-time control and certainty with respect to their data requirements. The flexibility and scalability of Clareti also enables financial institutions to achieve long-term operational efficiencies. These characteristics give Clareti a competitive advantage over legacy vendors, whose systems are typically batch-based and incapable of adapting to today's range of data processing requirements without time-consuming and costly implementations.

Gresham invests significantly in product development, which is delivered from our Innovation Labs in Bristol. We adopt an agile development strategy and we operate a continuous programme of enhancements. This differentiates Clareti from legacy vendor systems, serves to promote ongoing customer success and maintains our competitive advantage. Wherever possible, new applications are developed in partnership with fee paying early adopters, and our Innovation Labs are designed precisely for such collaboration. We also develop chargeable upgrades to the platform, such as Clareti Adapters (based on C24 technology) and Clareti Analytics, to drive growth in existing accounts.

Solutions portfolio

Owning and enhancing a portfolio of Clareti applications enables us to be successful in our chosen markets and deliver profitable growth organically. The Clareti portfolio currently includes:

- **Clareti Transaction Control:** High performance enterprise data control solution for data validation and real-time transaction matching and reconciliation.
- **Clareti Accounts Receivable Management:** Receivables management application with automated matching, reconciliation and allocation to reduce the order-to-cash cycle.
- **Clareti 24 Integration Objects:** Integration software to enable rapid adoption of financial message standards and transform complex data types.
- **Clareti Loan Control:** Front-to-back loan servicing solution that enables effective and auditable management of simple and complex loan portfolios.
- **Clareti Data Accelerator:** Data management solution that enables holistic and real-time monitoring of quality across enterprise data assets.

In addition to our model for organic growth, we actively monitor opportunities to supplement the Clareti portfolio to deliver accelerated growth through acquisitions, strategic partnerships and other corporate transactions of this nature. Our primary focus for inorganic growth is to acquire or partner with organisations who have modern and compatible technology solutions that are additive to our Clareti offering and that will deliver earnings enhancing revenues for the Group.

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Gresham has led the way in Enterprise Data Integrity and Control over the last year with the Clareti platform scoring particularly well for governance, automation and audit in the RiskTech100®.

Gresham are well placed as award winner of the inaugural data integrity category with high customer satisfaction, a strong growth strategy, and high enterprise readiness.

Peyman Mestchian,
Managing Partner, Chartis Research

Charging model

Gresham's primary charging model is to licence Clareti applications on a subscription basis, combining licensing and support and maintenance. This model generates higher levels of recurring revenue for the Group, which enhances long-term profitable growth and provides a platform for sound investment decisions. Software licences are typically ring-fenced by a scope of use that defines the licensed use case and by quantitative limitations, such as numbers of users and transaction volumes. This ensures that the charges are appropriately aligned to the value being received by the customer, and provides opportunity for additional fees for higher usage or new use cases.

Sales channels

Our global team of sales professionals sells directly to customers in our chosen geographies, supported by a small global marketing team based in the UK. We also make use of indirect sales channels through our bank and technology partners, which gives us indirect access to a larger addressable market and a further route to new Clareti sales.

Deployment

Our deployment focus is on achieving customer success early and effectively. We proactively manage deployment projects through our global professional services organisation, which is typically charged on a time and materials basis, and we provide 24/7 support from our global hubs using a centralised service infrastructure. Our global operational model allows us to make optimal use of available consultant resource, and ensures customers can benefit from the deep industry expertise and technical skills that we have across the Group.

As well as the traditional on-premise deployment option, Gresham offers customers a hosted deployment solution on Gresham's Clareti-as-a-Service cloud platform. This is a further differentiator to competitor products, which in the main can only be deployed through one or the other route. Cloud-based deployments generate higher recurring revenues for Gresham due to the enhanced value proposition for the customer.

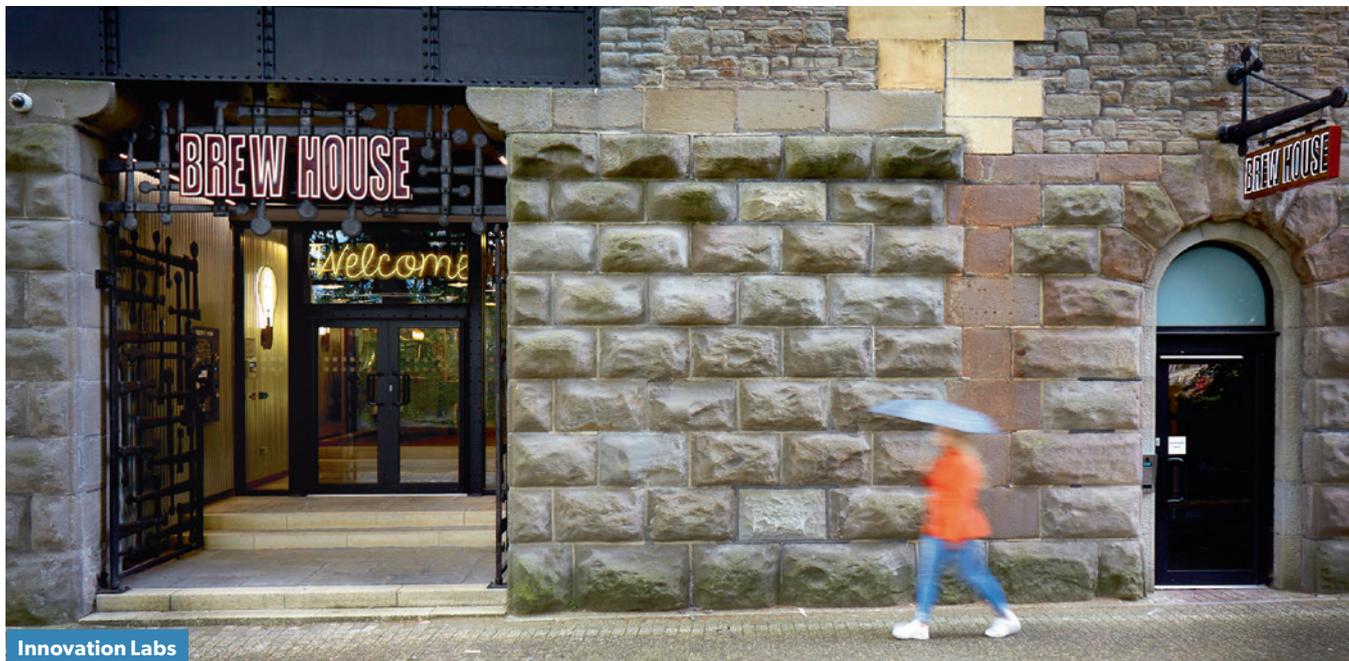
Business platform

Organisationally, we have streamlined our business over recent years and now operate a global business platform and robust business processes to support and sustain rapid organic and inorganic growth. All our global business functions are managed centrally from the UK, including sales and marketing, customer support and professional services, with corporate and business support from global IT systems and administrative functions such as finance, legal and HR.

Execution

Our execution of the business model is generating profitable growth and building long-term shareholder value in line with Group strategy. The model is designed such that successful execution of the business model will generate cash from the profitable growth, which in turn will enable us to return value to shareholders through dividends. We expect to continue with the existing business model for the foreseeable future.

Market, technology and talent



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Our experience and research confirmed that there was nothing available on the market that would enable us to make a step change in service quality and process productivity.

Gresham shared our vision for technology-enabled transformation of the industry and together we have delivered a solution that will enable us to manage a variety of loans, from single asset deals to large complex transactions, as well as entire performing and non-performing loan portfolios.

This partnership is a differentiator for Mount Street in the competitive third party servicing market.

Ravi Joseph
CEO, Mount Street

Market

The aftermath of the global financial crisis continues to drive the prevailing regulatory landscape. Part of this has been a worldwide regulatory trend that places significantly greater governance and control requirements on financial institutions as regards the accuracy and auditability of data. This, and the introduction of greater reporting obligations, together provide compelling drivers for financial institutions to invest in modern and flexible technology systems, such as Clareti, to ensure that both current and future regulatory requirements can be satisfied.

The newly appointed US administration's stated policy on banking de-regulation will no doubt introduce uncertainty as details emerge, as will Brexit negotiations, once they are engaged, and we are tracking developments carefully. However, irrespective of regulatory requirements and policy changes, our experience is that there is an underlying operational requirement for sophisticated data management technology, and we do not expect to suffer any material impact from these factors for the foreseeable future.

In the UK, Europe and North America, we continue to see strong demand for new, more agile technologies, and we expect ongoing success in these regions. In the very substantial US market, we believe that long-term success will ultimately come from winning Tier 1 bank customers, the large broker-dealers, who have greater scale and a need for our technology across a broader variety of use cases. While these institutions are difficult to win, the returns can be significant.

In Asia Pacific, we continue to see opportunity in the key financial hubs in Singapore, Hong Kong and Australia, but our current resources in this region are limited. Consequently, we primarily target cross-sell and upsell opportunities with our existing major clients. In addition, we now have a business development partner in Japan as a result of the C24 acquisition, who we are upskilling to target the Tokyo market with Clareti Transaction Control as well as Clareti 24 Integration Objects.

Technology innovation

Delivering innovative technology and services is fundamental to our offering. Under the leadership of Neil Vernon, Gresham's Chief Technology Officer, we foster a culture of innovation across all development activities, and we actively look for new opportunities to deliver optimal and differentiating technology experiences for our users. This culture is epitomised at our flagship Innovation Labs in Bristol.

Our Clareti platform, built from the ground up on a robust, modern architecture, has benefited from five years of investment and ongoing customer feedback, and is now functionally rich, very stable and highly scalable. We are confident in our ability to respond quickly to changing market requirements, competitive pressures and new opportunities. The acquisition of C24 technology assets has enhanced the capability of the platform to ingest financial messages and we now have a data loading, matching, enrichment and exception handling platform that is truly exceptional in terms of the ability to make sense of vast volumes of fast moving and complex data flows typically found in financial markets.

Clareti-as-a-Service (CaaS), our cloud and managed services platform, also benefits from ongoing investment and is maturing rapidly as a vehicle for customers to implement rapidly and reduce their total cost of ownership. All our offerings can be accessed on-premise, in the cloud, or as a complete managed service.

The Clareti portfolio has expanded and now includes four separately licensable software solutions, comprising Clareti Transaction Control, Clareti ARM, Clareti Loan Control and Clareti 24 Integration Objects, all of which are developed from an innovation and market-driven agenda. Further innovative Clareti solutions are planned for 2017, including Clareti Data Accelerator (CDA), as well as chargeable platform enhancements comprising Clareti Adapters and Clareti Analytics, which are specifically designed to enhance Gresham's addressable market for enterprise data management solutions within financial services.

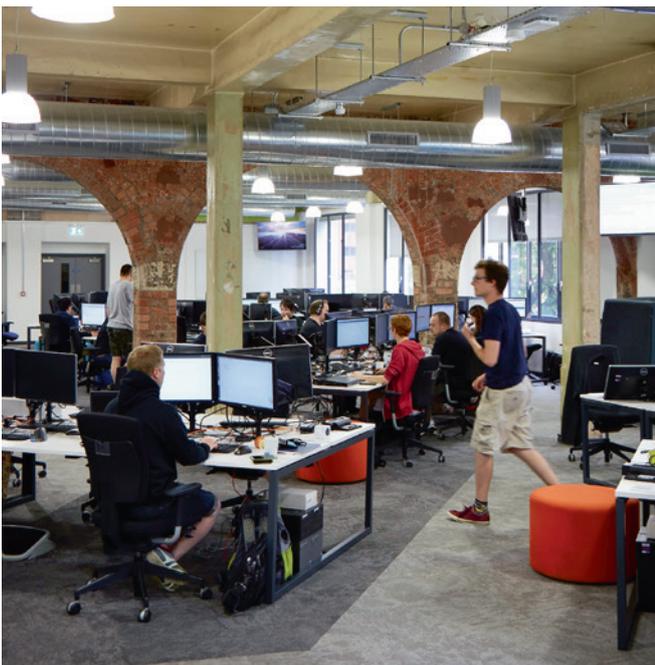


Talent

We recognise that retaining and nurturing talent is crucial to our long-term objective of becoming one of the world's leading providers of financial technology solutions. Our aim is to be a highly valued and responsible employer across the Group. We implement Group-wide strategies designed to retain and motivate staff on an ongoing basis that are appropriate to the local geographic and industry economic climate. These strategies include the provision of competitive terms and conditions, a defined contribution pension scheme, consideration of family and personal needs, training and career development coaching, alongside a range of other flexible benefits designed to reflect the Group's culture and values.

Our hiring model is based on creating an agile, highly motivated and collaborative international workforce. Our strength comes from collaboration between seasoned professionals with deep client industry experience and some of the brightest young technology talent on the market. We operate a graduate intake and apprenticeship programme to bring promising new colleagues into the business, and we also hire more experienced staff with exceptional skills sets where required to support our strategic objectives. We also "hire for attitude", placing great importance on our values, effective team working, and on our focus on customer success.

We believe that it is very important to achieve high levels of trust between individuals within the Group as this promotes high levels of staff engagement and helps to ensure that the working environment is pleasant, healthy and sustainable. As part of this, the Group engages with the Great Place to Work® programme as a mechanism for measuring, on an annual basis, the Group's performance as an employer, as perceived by staff. This has proved to be a very useful tool in gathering collective feedback and guiding investment decisions, and several new initiatives have been implemented as a result of this.



Route to long-term success

Our strategic plan is designed to drive profitable growth and create long-term shareholder value. Originally built around developing and selling our flagship solution, Clareti Transaction Control (CTC), the strategic plan has now evolved to reflect our mission of delivering a wider set of innovative Clareti software solutions to clients that assure the integrity of data systems and optimise data management activities.

1

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

Key achievements in 2016

Clareti software continues to generate gross margins in excess of 90%. Total Clareti revenues grew by 42% in 2016, and Clareti annualised recurring revenues at the year end were up 92%. All but two of the new Clareti licence sales in the year were term or subscription based, and Gresham won two cloud-based Clareti contracts in the year.

Key priorities for 2017

We will continue to promote licensing models that deliver higher levels of recurring revenue, appropriately balanced against the need to achieve short-term financial objectives. We will continue to invest in cloud technology to create new, value-added solutions for clients.

2

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

Key achievements in 2016

We enhanced our global business platform with the appointment of David Eagan as Global Director, Customer Success and Service Delivery. Group growth was led by 42% Clareti growth. The considered acquisition of C24 Technologies complements the Clareti portfolio and adds over £1m of recurring revenue.

Key priorities for 2017

We will invest appropriately in technology to support global growth and optimise business efficiencies. We will focus on effective Clareti sales execution and ensure sales targets remain aligned to Group KPIs. We will actively pursue appropriate acquisition opportunities and strategic investments for growth.

3

Establish Clareti as the enterprise data integrity platform "category leader".

Key achievements in 2016

Our marketing activities have been adjusted to target enterprise data integrity requirements. We moved up to 38th place in the Global RiskTech 100[®] and, for the first time, we were awarded best Data Integrity and Control solution by independent researcher Chartis.

Key priorities for 2017

We want to improve on our position in the Global RiskTech 100[®] register. We aim to achieve further third party attestations to Gresham's position as a leading provider of enterprise data integrity solutions. We will focus marketing activities on concrete requirements for enterprise data integrity.

4

Focus our product investment and sales efforts on Clareti solutions.

Key achievements in 2016

We relocated product development to new offices in Bristol city centre, giving greater access to talent and serving as a flagship venue for client events. We added a Clareti sales hub in Luxembourg to drive European sales, and the acquisition of C24 Technologies provides a route to sales in Japan. Non-Clareti parts of the business are being managed optimally.

Key priorities for 2017

Appropriate investment in sales capacity is to continue, particularly in the US where there is significant potential for growth. We will focus our product development activities on enhancements and new Clareti applications designed to address data integrity issues. We will build delivery capacity in line with global sales.

5

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

Key achievements in 2016

We developed the Clareti portfolio to add further business applications and address new markets. We brought Clareti Loan Control to market and also added Clareti 24 Integration Objects to the portfolio in the year. We focussed product marketing on “control” issues.

Key priorities for 2017

We intend to launch Clareti Data Accelerator as a solution to monitor and improve the quality of a firm’s enterprise data assets in real time. We also plan to launch Clareti Analytics to drive incremental value for our installed base and provide upsell opportunities.

6

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

Key achievements in 2016

The non-Clareti parts of our business are being managed efficiently and performed in line with our plans, contributing £9.7m to Group revenues in 2016 (2015: £9.5m). Cash generated has been reinvested in the Clareti business.

Key priorities for 2017

We will continue to operate the non-Clareti businesses optimally for as long as we perceive them to deliver strategic value. Our operational focus will remain on securing renewals and managing attrition rates through efficient contract management and customer service.

Key performance indicators (KPIs)

Measuring our progress

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

Clareti revenue		Group	
Clareti revenue	Clareti annualised recurring revenue	Group revenue	Group annualised recurring revenue
£7.5m +42%	£4.6m +92%	£17.2m +16%	£10.9m +22%
2016 7.5	2016 4.6	2016 17.2	2016 10.9
2015 5.3	2015 2.4	2015 14.8	2015 7.8
Description		Description	
Measures the overall performance of the Clareti business, which is central to the Group's growth strategy. This includes £0.3m from C24 Technologies following the acquisition in October 2016.	The minimum Clareti revenue of a recurring nature that Gresham expects to book in 2017 from contracts in force as at 31 December 2016. This highlights Gresham's success in securing new recurring revenues and includes £1.2m from C24 Technologies.	Measures overall Group performance and growth in the year. This comprises £7.5m of Clareti revenues, including £0.3m from C24 Technologies, and £9.7m of Other revenues (up £0.2m).	The minimum revenue of a recurring nature that the Group expects to book in 2017 from contracts in force as at 31 December 2016. This comprises £4.6m of Clareti recurring revenue and £6.3m of Other recurring revenue (down 3%).
Link to strategy		Link to strategy	

Earnings			Cash		
Adjusted EBITDA			Profit before tax		
£3.8m			£2.2m		
+41%			+38%		
2016	3.8		2016	2.2	
2015	2.7		2015	1.6	
Adjusted diluted earnings per share			Adjusted diluted earnings per share		
4.67p			4.67p		
+38%			+38%		
2016	4.67		2016	4.67	
2015	3.38		2015	3.38	
Net cash			Net cash		
£7.2m			£7.2m		
+53%			+53%		
2016	7.2		2016	7.2	
2015	4.7		2015	4.7	
Description			Description		
Earnings-based metric that provides a measure of profitable growth. This includes £0.2m from C24 Technologies. Adjustments are made for share-based payment charges and exceptional items.			In addition to adjusted EBITDA, this earnings-based KPI provides a further measure of our performance in delivering profitable growth in the year at a statutory reporting level.		
			Earnings per share on a diluted and adjusted basis, which provides a consistent long-term measure of relative year on year performance.		
			This measures the Group's aggregate net cash balance as at 31 December 2016, after taking any Group debt into account (none).		
Link to strategy			Link to strategy		
1 2 3 4 5 6			1 2 3 4 5 6		
			1 2 3 4 5 6		
			1 2 3 4 5 6		

Non-financial performance indicators

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

Operational review



Ian Manocha

Introduction

The Group delivered an extremely confident performance in 2016, which was underpinned by strong organic revenue growth from Clareti solutions. We grew licence revenues from our existing Clareti base, won eleven new CTC customers, and brought another 35 customers into the Group through our acquisition of C24 Technologies. As a result, our recurring revenue from Clareti has grown 53% year on year. We continued to invest in innovation and further strengthened the organisation to deliver sustainable growth and service to customers.

Business development

We invested further in sales and marketing resources during 2016 and we now have experienced direct sales staff in UK, mainland Europe, Asia Pacific and the US. Compared to the mainstream competition, our sales team is small and we need to have a focussed strategy. Our approach to opening markets is to gain sales, delivery and product expertise in specific use cases in targeted industry sub-segments. We then aim to replicate those solution sales across an industry niche in our chosen geographies to win new customers. In addition, we target new use cases in our customer base to drive licence adoption and growth. Our targeted industry segments include banking and capital markets where we started the Clareti journey.

In more recent years, we have opened new verticals such as insurance broking, asset management, payments, clearing and settlements, and more exotic niches such as FX trading and spread betting. In 2016, our new business came primarily from these key markets. We also won our first customer in the commodities space.

In addition to direct sales, we have bank white labelling agreements to access the corporate market. In the US, a major provider of data, software and services to the asset management community is a value-added reseller of CTC.

New Clareti wins

During 2016, we signed eleven new customers for CTC taking the total to over 40. Including our recently acquired C24 customers, we now have about 75 Clareti customers across financial services and global markets, with many more corporates using Clareti technology via our bank white labelling partners.

UK and Europe

Our UK team had a strong performance in 2016, starting the year well with two new hedge fund client wins for CTC. This is a niche market segment where we have built an excellent base of referenceable clients and our reputation is starting to provide us with referrals.

One of the UK leading online trading firms specialising in spread betting and contracts for difference (CFD) has commenced a subscription for CTC as its strategic data integrity and control solution. This is the Group's third CFD market win and further proof of the Group's ability to win repeatable business in targeted industry niches.

Similarly, we have started to secure repeatable wins in insurance broking. In the fourth quarter, a leading UK insurance intermediary selected CTC to improve financial control of payables and receivables within its broker business as part of a wider finance transformation programme. This was our fourth client win in insurance and the client also made a seven-year strategic commitment to use the Group's Clareti-as-a-Service cloud platform.

We were also pleased to close the Group's first win in the commodities market. One of the world's leading independent commodity trading and logistics houses selected CTC as its global enterprise data integrity solution. The initial implementation will provide end-to-end control in trading operations across clearing brokers, execution brokers and over-the-counter (OTC) counterparties. Future phases are expected to include controls across payments, static data and inter-company transactions as well as inventory assurance in their metal, minerals, oil and petroleum businesses. The commodities industry is facing increasing data governance and regulatory challenges alongside macro-economic pressures and we believe there is potential to replicate this win across the sector in the same way as we have done in other industries.

Following new investment in 2016 to focus on European sales, we signed an important new European regional bank client for CTC in early 2017 and we also won a Swiss subsidiary of a major Russian bank for CTC in February 2017. In addition, we have signed several professional services engagements for deployment projects won in 2016.

North America

Our North American operations started 2016 with a stronger new business sales orientation targeting the financial services communities in New York and Toronto. In the first quarter, we secured a major US hedge fund as a client for CTC. They also elected to use the software in the cloud and, as a result, became our first US Clareti-as-a-Service customer. We were also delighted that our first US Clareti partner, a major financial services organisation which had selected our technology in late 2014 to be a white labelled offering for its asset management clients, won its first two end-customer sales. All three fund managers are now live using CTC daily and we believe there is strong potential for growth in the substantial US buy-side industry.

In December, after completing rigorous due diligence, a New York based Global Systemically Important Bank (G-SIB) Tier 1 bank purchased CTC to underpin a technology enabled transformation in the data processing operations of one of its key business divisions. This represents Gresham's first major Clareti win with a US-based Tier 1 bank. The five-year contract will see CTC deployed to replace outdated manual processes and user developed applications to improve data quality and customer service and to reduce operational processing costs. There is potential for licence growth in future years as the customer's use of the Clareti platform grows.

Since the year end, we have signed a leading global brokerage firm based in the US who selected CTC as part of a plan to modernise its approach to transaction lifecycle management. CTC will be used to ensure the integrity of trading data, improve the effectiveness of controls and reduce operational costs.

Asia Pacific

Our Asia Pacific operations remain largely focussed on servicing and growing our two key accounts in this region, which performed largely as expected.

Our Singapore-based Tier 1 bank customer, signed in 2013, continued to draw on our Innovation Labs for enhancements to the core solution, which delivered a steady flow of chargeable product development services and an increase in the base annual subscription. In Australia, we consolidated our relationship with Australia and New Zealand Banking Group Ltd (ANZ) through another year of close collaboration, and the relationship continues to deliver a beat-rate of services revenues. ANZ also increased its base Clareti subscription modestly as they added several additional end customers.

In terms of new Clareti sales, one of the largest asset managers in Australia was signed in December for a small Clareti subscription, with potential for growth in 2017.

Customer loyalty and growth

I am convinced that we provide our customers with a differentiated experience compared to the long-established legacy players in the core matching and reconciliation market, which is something we are all passionate about sustaining as we scale up.

During 2016, we moved our Denver-based support function, and our cloud development function, to be co-located in Bristol with our development team. In conjunction with our Sydney operation, we are now able to offer 24/7 "bank-grade" support globally. We have consolidated our services and support operations under a new executive with overall responsibility for service delivery and customer success.

Our consulting operations work closely with the sales function to ensure that we secure rapid implementation success and referenceability across the customer base and to ensure that consulting is profitable on a standalone basis. During the year, we saw around 15 customers "go live" with new CTC projects.

We continue to conduct quarterly face-to-face service reviews with customers and Net Promoter® scores are taken at key points of interactions and reviewed monthly. During 2016, we started our user group "Clareti Partners" and we continue to encourage customers to have an ongoing direct dialogue with our development team. We also hosted several client workshops at our Innovation Labs.

In the year, three existing customers increased their CTC licence investment. In particular, we saw an important contract upgrade from one of our larger early-adopter global investment banking clients. This customer completed its multi-year enterprise inter-system controls migration project in 2015, and is live with an enterprise scale implementation of more than 500 controls on a single instance processing up to 200 million trades a day. In 2016, the customer decided to extend the use of the platform to provide control over market-facing data and consequently we signed a contract extension that provides a framework for additional licence growth over the coming years.

Clareti Loan Control

In 2016, we took a strategic decision to enter into a joint venture with Mount Street Loan Solutions LLP, one of Europe's leading real estate debt specialists. Mount Street originally selected Gresham in 2015 to build a new software application, Clareti Loan Control (CLC), to enable Mount Street to streamline the complex data management flows in loan servicing and deliver enhanced services to their customers. The first release of CLC is now live in their business and delivering the expected benefits.

We believe that there is a significant market opportunity for selling CLC as a disruptive loan control offering into financial institutions, which are also a key market for our transaction control solutions. Further, we believe that partnering with Mount Street via a legal joint venture provides the quickest and most effective route to early success and we are excited about the prospects. I am pleased to confirm that we have also been selected for a CLC pilot with a major European bank, a potential second CLC client.

C24 Technologies

In October, following a successful fund raise, the acquisition of C24 Technologies was completed. Integration is now also substantially complete and I am confident that the expected benefits will be realised during 2017. There are high levels of satisfaction amongst the current customers and an ongoing demand in the market for message transformation technology.

In December, a fintech innovator signed for Clareti 24 Integration Objects as part of an OEM agreement to include enhanced financial message processing capabilities in its blockchain settlement products. We also signed a further OEM agreement with a global intelligence and technology company who are embedding Clareti 24 Integration Objects into a new solution offering that it expects to launch in H2 2017.

The talented C24 software development team is working closely with their colleagues at our Innovation Labs and has integrated the technology with the Clareti platform and cross-trained our teams. We expect to secure further new standalone sales of Clareti 24 Integration Objects, as well as cross-sell the new Clareti Adapters to our CTC base. The acquired development team is now turning its attention to developing our Clareti Data Accelerator solution.

Operational review continued

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We engaged Gresham to provide technical expertise for a significant regulatory reporting remediation project.

Gresham did a great job in reverting to our initial query with a solution that was beyond our expectation. It became very clear that the CTC product is already next-generation.

Gresham made themselves available to us and continued to support us through the final stages despite this being beyond the original plan. This demonstrated Gresham's ultimate client focus perfectly. I would not hesitate to utilise Gresham again.

Adam Jesney
CEO (UK), Sberbank

Other business

Our legacy licensing and services business performed broadly in line with our business plan. EDT and VME remained stable during the year and operated at high margins. Our cash management clients for whom we are supporting third party software provided a steady flow of revenue during the year, although we are planning for cancellations during 2017 as older systems are replaced. Our contracting business in Australia performed strongly, delivering healthy cashflows from low margin rolling contracts.

Products and innovation

The Group continues to invest in research and development in order to maintain a technology advantage in the core matching and reconciliation market and build a leadership position in the wider data integrity and control solutions market.

Our flagship application, CTC, is now regarded as the best-in-class enterprise grade offering in the mainstream matching, reconciliation and controls market. We were pleased to have this confirmed when we were named as category winner by Chartis Research in their assessment of vendors in their FinTech Quadrant™ for data integrity and control solutions in November 2016. We are now seeing direct competitor replacements alongside new use cases or replacements of user developed applications and manual intensive processes in our new client list and in our pipeline.

In addition to enhancing the existing CTC and Clareti ARM solutions, a significant amount of resource in the year was focussed on developing new applications, including Clareti Loan Control and, later in the year, Clareti Data Accelerator (CDA). CDA, which leverages a combination of Gresham and C24 acquired core technology and will give us a play in the substantial enterprise data management market within financial services, and potentially into other industries over time.

Further details on our programme of technology innovation can be found in the Market, Technology and Talent section on page 8.

People

In my operational review last year, I observed that I was impressed by the professional, proactive and mission-led Gresham team. The Company continues to thrive with a healthy mix of bright young technology talent and experienced finance industry professionals.

I particularly encourage high levels of collaboration between the business functions and across geographies, and aim to achieve a balance between start-up pace and entrepreneurial thinking, and the quality management processes of a well-established enterprise technology provider. During 2016, I took steps to strengthen the leadership team by consolidating our regional post-sales activities under a single global executive.

We also undertook our second annual employee engagement study with Great Place to Work® with very positive results once again and enjoy extremely low levels of staff turnover. In 2017, we will step up the recruitment of graduates to bring further new talent into the business as we build for our future as one of the world's leading enterprise financial technology firms.

Ian Manocha
Chief Executive

13 March 2017

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