Gresham Computing plc Annual Financial Report 2015

Financial Technology Solutions
Control. Certainty. Integrity.

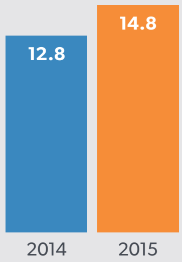
Gresham
Real-time Financial Certainty®

Gresham Computing plc is a leading software and services company specialising in real-time transaction control and enterprise data integrity solutions.

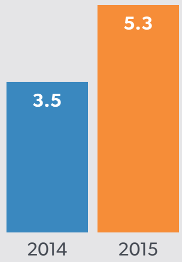
→ **gresham-computing.com**

Highlights

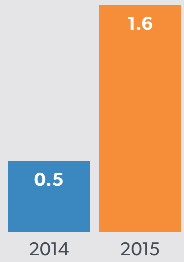
Total revenues
£14.8m



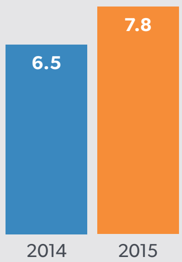
CTC revenues
£5.3m



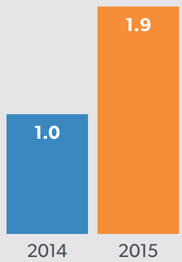
Statutory PBT
£1.6m



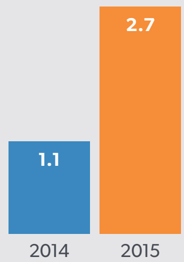
Total recurring revenues
£7.8m



CTC recurring revenues
£1.9m



Adjusted EBITDA*
£2.7m



- Continued strong CTC customer progress in 2015:
  - Eleven new customer wins in the UK, continental Europe, the US and Singapore; and
  - Continued expansion of use from existing customer base.
- Total revenues up 16% to £14.8m (2014: £12.8m), of which recurring revenues increased 20% to £7.8m (2014: £6.5m).
- CTC revenues up 51% to £5.3m (2014: £3.5m).
- CTC software revenues up 212% to £3.4m (2014: £1.1m), of which CTC software recurring revenues up 90% to £1.9m (2014: £1.0m).
- Adjusted EBITDA* up 145% to £2.7m (2014: £1.1m).
- Statutory profit before tax as reported up 243% to £1.6m (2014: £0.5m).
- Cash £4.7m and no debt as at 31 December 2015 (2014: £4.7m and no debt), with net operating cash inflow £3.2m (2014: £3.1m).
- Continuing high level of investment in product innovation and building sales distribution globally to continue to grow recurring revenues strongly.
- Further new and existing CTC customer wins in Q1 2016, including a significant new services order for 2016 from an existing major UK clearing bank customer.
- Management confident about the prospects for the Group.

→ **Strategy and key performance indicators page 10**

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

At a glance

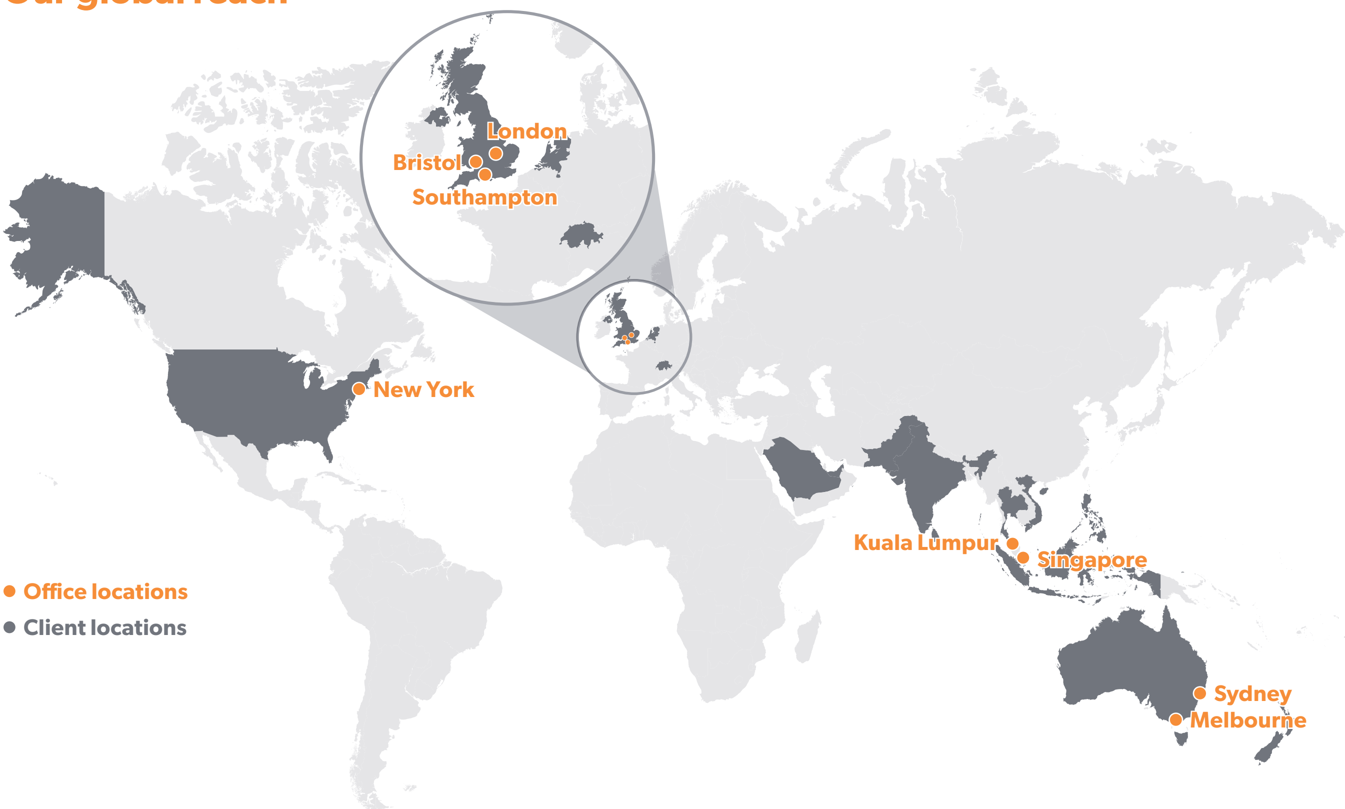
Our aim is to establish Clareti Transaction Control ("CTC") as the leading enterprise data integrity platform, giving our customers the control and certainty they need in a world awash with real-time streaming data.

Our Clareti products

CTC was originally designed as a disruptive product to address the global matching and reconciliation market dominated by inflexible legacy products and poorly governed user-developed applications. CTC is powered by a versatile high performance transaction matching engine able to handle all data types, and uses modern in-memory data grid technology to achieve the extreme scalability and real-time processing required by many global customers. Even in extremely high volume, low latency, environments with complex unstructured data flows, CTC is proven to give operational certainty to organisations conducting millions of transactions per hour in fast-moving markets. Functionality to provide rapid, user-driven, on-boarding along with powerful matching algorithms, flexible workflow and reporting complete a best-in-class solution.

With ongoing investment from the Group, and successful customer implementations, CTC has now evolved into a full platform capable of providing real-time transaction control and enterprise data integrity across a growing set of use cases. Our current portfolio of Clareti business applications includes CTC Accounts Receivable Management for automating matching, reconciliation and allocation to reduce the corporate order-to-cash cycle, CTC Intersystems for controlling intra and inter-company trades, CTC OTC Derivatives for operational control of over-the-counter derivative financial instruments, and CTC Transition Management for integrity assurance during systems change and data migration. We also offer a full portfolio of complementary consulting services and 24/7 global support, and all our products are cloud ready and available on our Clareti-as-a-Service platform.

Our global reach



Our CTC story so far

2010

- CTC development commences in Bristol, UK

2011

- First CTC contract win with APAC transaction bank

2012

- First customers live on CTC
- Acceleration of investment in CTC sales and development

2013

- Multiple CTC contract wins including two Tier 1 banks
- Globalisation of business functions to support CTC-led growth
- New York and Singapore sales offices open

2014

- First US CTC contract signed
- Further investments in CTC sales and development
- CTC named "Best Reconciliation Solution" at FTF Innovation Awards 2014

2015

- Eleven CTC contract wins across EMEA, APAC and the US
- CTC retains "Best Reconciliation Solution" at FTF Innovation Awards 2015 and gains PCI-DSS accreditation
- CTC becomes Gresham's best-selling product
- Clareti applications portfolio and Clareti-as-a-Service cloud offering introduced

Our solution focus

Our business is about solving problems for customers and we focus in the following areas:

Regulatory Compliance

Achieving and evidencing compliance with ever-increasing regulatory requirements through automated reporting, real-time visibility, and the flexibility to adapt to future regulatory demands.

Internal Risk Control

Data integrity assurance for managing operational and conduct risks, with data consolidated into a single, proven platform enabling rapid identification and reporting of financial losses and exceptions.

Financial Control

Full integrity and real-time financial control from intraday to period end to improve business processes and ensure joined-up financial control and accurate reporting.

Transition Management

Robust data integrity controls to mitigate risks inherent in business transition or system migration projects.

White Label

Enabling customers to offer Clareti-based data integrity applications as solutions under their own brand to enhance their service offering, secure additional revenues and build stronger and more durable relationships with their customers.

Our accreditations

PCI DSS COMPLIANT · RiskTech 100 2016 · FTF WINNER · GREAT PLACE TO WORK®

> "Gresham is well placed to capitalise on the opportunity with their CTC enterprise platform. They have a notably high ranking for a new entrant into the RiskTech100® for 2016 achieving particularly strong scores for innovation, organisational strength and customer satisfaction."
>
> **Managing Partner, Chartis Research**

Chairman's statement

Ken Archer
Non-Executive Chairman

Summary

- Strong top-line growth generated by high margin CTC software sales.
- Regulatory compliance, internal risk management and control requirements are key business drivers.
- CEO succession plan completed with a view to capitalising on market opportunity.
- Ongoing investments in direct sales resources, in addition to forming strategic alliances.

Dear shareholder,

I am pleased to present this Annual Report which records a very successful 2015 for the Group on a number of fronts.

Overview

Gresham continued its good progress in executing on key strategic objectives, and I am pleased to report 16% top-line growth with total revenues for the Group rising to £14.8m for the year. Importantly, the additional revenues are generated by high margin CTC software sales, which has resulted in strong growth in underlying profitability and an associated sharp increase in recurring revenues. This provides a solid platform for continued and profitable growth.

During the year an important milestone was reached when CTC became the Group's best-selling software product with a number of major new clients adopting CTC as their strategic platform for ensuring the integrity of their data and transaction processing. Regulatory compliance, internal risk management and control were the key business drivers of this success, which we expect will continue into 2016 and beyond. To capitalise on this opportunity the Company is now extending its Clareti portfolio and is building a series of applications that use the CTC platform to meet specific customer business requirements. The Company has also developed and deployed a cloud-based service offering which allows our customers to utilise the CTC software through a Gresham managed service. This investment will allow us to grow our existing customer base and to attract new customers from numerous market segments. We have also invested and will continue to invest in our sales and marketing resources to fulfil demand globally.

Shareholders will have noted our announcements in 2015 regarding CTC contract wins in the US and in Asia. I am particularly pleased with these wins as they demonstrate the good progress the Group has made in expanding CTC adoption globally. The US and Asia markets have 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. Our sales success to date has resulted in a high quality referenceable customer base from which we can grow sales through account expansion whilst attracting new customers with our increasing portfolio of offerings. With our continued investment in the Clareti platform and sales and marketing expansion, I anticipate further improvement in our market position as we have a proven product addressing a growing demand for transparency and integrity over risk and financial data processing.

In addition to the contribution of CTC, our partner solutions and our legacy software businesses continue to provide valuable contributions to earnings through mainly recurring revenues representing lower risk revenue in the near to medium term. As previously highlighted these legacy revenues are in long-term decline and are being replaced by the growing higher margin revenues from our Clareti portfolio of products.

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

Dividend

As reported last year, we received court approval in March 2015 to make the necessary changes to our capital structure, through cancellation of the share premium account, such that the Company now has the ability to pay dividends and make other returns of capital when the Board considers it appropriate and desirable to do so. As a Board we are committed to commencing a progressive dividend when the circumstances are deemed to be appropriate. Whilst our priority remains to reinvest cash generated in 2016 into the business to support our strategic aims, as a Board we have a firm intention to review the position subsequent to that and consider declaring a maiden dividend in respect of financial year 2017.

Board changes

As stated in last year's Annual Report and in subsequent announcements, we welcomed Ian Manocha as our new Chief Executive on 1 June 2015 to help us capitalise on the significant market opportunity that we are seeing to accelerate CTC growth and to realise our vision of becoming a market leader in real-time transaction control and enterprise data integrity solutions. I am delighted to be working with Ian as we execute and extend our strategy for the ongoing development of the Group. Ian succeeds Chris Errington, who remains on the Board as a Non-Executive Director. Hamish Purdey left the Board in January 2015.

→ **Corporate governance page 19**

Outlook

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

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
7 March 2016

CEO's statement

Ian Manocha
Chief Executive Officer

Summary

- CTC software revenue up 212% driven by high quality customer wins in all our target geographic markets.
- CTC offering enhanced with the launch of new products and Clareti-as-a-Service cloud platform.
- Solution focus will continue to be risk, regulatory and financial control, as well as transition management and white label.
- New sales will target capital markets institutions and global transaction banks.

Dear shareholder,

This is my first report to you as Chief Executive and I am pleased to report a positive year of progress aligned with the strategic plan set out by the Board. We delivered 212% CTC software revenue growth driven by high quality new customer wins as well as extensions in the existing CTC subscriber base and implementation successes. We enhanced our portfolio of offerings with innovative new products, including our cloud platform Clareti-as-a-Service ("CaaS"), and we further strengthened the global organisation.

Objectives and strategy

Our objective is to be recognised as a leading financial technology provider focused on enterprise data integrity and transaction control solutions that deliver sustained profitable growth for the Group and build shareholder value.

To achieve our long-term objective, we are following a strategic plan focused originally on CTC and now, more broadly, on the Clareti portfolio. The Group regards the plan to streamline and strengthen our legacy business (the general strategic plan referred to in previous Annual Financial Reports) as largely complete with the remaining EDT, VME and other legacy lower margin revenues now being managed efficiently in light of the inevitable run off in the medium to long term.

The strategy has further matured as the opportunity to build on CTC's success has unfolded positively. We plan to:

- focus the significant majority of our product investment and sales efforts on CTC, our flagship product;
- establish CTC as the enterprise data integrity platform "category leader" in a world awash with real-time streaming data;
- leverage the Clareti platform and CaaS to bring new "Control" applications to market;
- build a high margin, recurring revenue stream based on Clareti licence sales, subscriptions and cloud services; and
- create a sustainable global business to enable Clareti-led growth and exceptional rates of customer loyalty.

Operational performance

It is pleasing to report high quality CTC wins in all our target geographic markets of UK and Europe, Asia Pacific and the US. New customer wins were represented across our targeted financial services industry sub-segments including insurance, banking and capital markets, payments, clearing and settlements. Use cases were also in line with our plan, namely financial and risk control, regulatory compliance and transition management. A full review of the year's operational performance is included in the Operational Review.

People

Since joining Gresham in June 2015, I have been very impressed with the openness, the depth of knowledge and the expertise that exists across the business, and it is a pleasure to be working in such a positive and constructive environment.

We recognise that people are key to our ability to deliver on our strategic plans. We need the right level of expertise across all functions of the business in order to grow the business successfully, innovate and expand our offerings, and delight our customers on a global basis.

“In a world awash with real-time streaming data, we want to be the first company clients turn to when they need to be in control.”

This philosophy is reflected in our business model, and I have reported in the Operational Review on some of the steps we have implemented in 2015 to help our people achieve their potential at Gresham.

Outlook and opportunity

We have entered 2016 with a strong CTC annuity stream and related professional services backlog. In the first quarter of 2016 so far, we have signed a significant professional services extension with the Tier 1 bank we won in the last quarter of 2015, and we have also achieved a new CTC client win in the US, which represents our second asset management client and our first CaaS client in North America.

Our solution focus will continue to be risk, regulatory and financial control as well as transition management and white label. Our 2016 new sales focus will be weighted towards two primary initiatives:

Firstly, we will target capital markets clients where risk and regulatory driven data integrity challenges are a good fit for CTC. Risk IT spending is rising as financial institutions invest to comply with post-global crisis regulations such as Basel III and associated principles such as the Basel Committee on Banking Supervision (BCBS) 239 Principles for Effective Risk Data Aggregation & Reporting. According to research published by Chartis in January 2016, Risk Data Aggregation and Reporting alone is a market valued at $4.67bn in new risk IT spend. The Group is targeting Tier 1 bank investment programmes for improved enterprise-wide data collection, quality and risk data governance procedures. Tier 1s are expected to spend the most on new initiatives in 2016 ($1.93bn); Tier 2s $1bn; and Tier 3s $1.7bn.

Secondly, we are targeting global transaction banks with our best-in-class Accounts Receivable Management solution to sell to their corporates. At a time when traditional transaction services are facing severe competition and a rapidly changing payment landscape, banks need to differentiate to win, retain and grow corporate accounts. Our white label platform enables banks to deliver enhanced cash management and analytic based products extremely rapidly and at a far lower cost than building in house. The solution is proven to help banks win new clients, and increase deposits driving net interest income.

We expect to grow recurring revenue with existing direct CTC customers and through our white label channel partners who are gaining momentum with their own client wins. We are confident that CaaS, our cloud platform, and managed services will feature strongly in our new business wins and further enhance recurring revenue streams. As expected, the Group’s legacy licence base is gradually declining and we have factored this into our financial model.

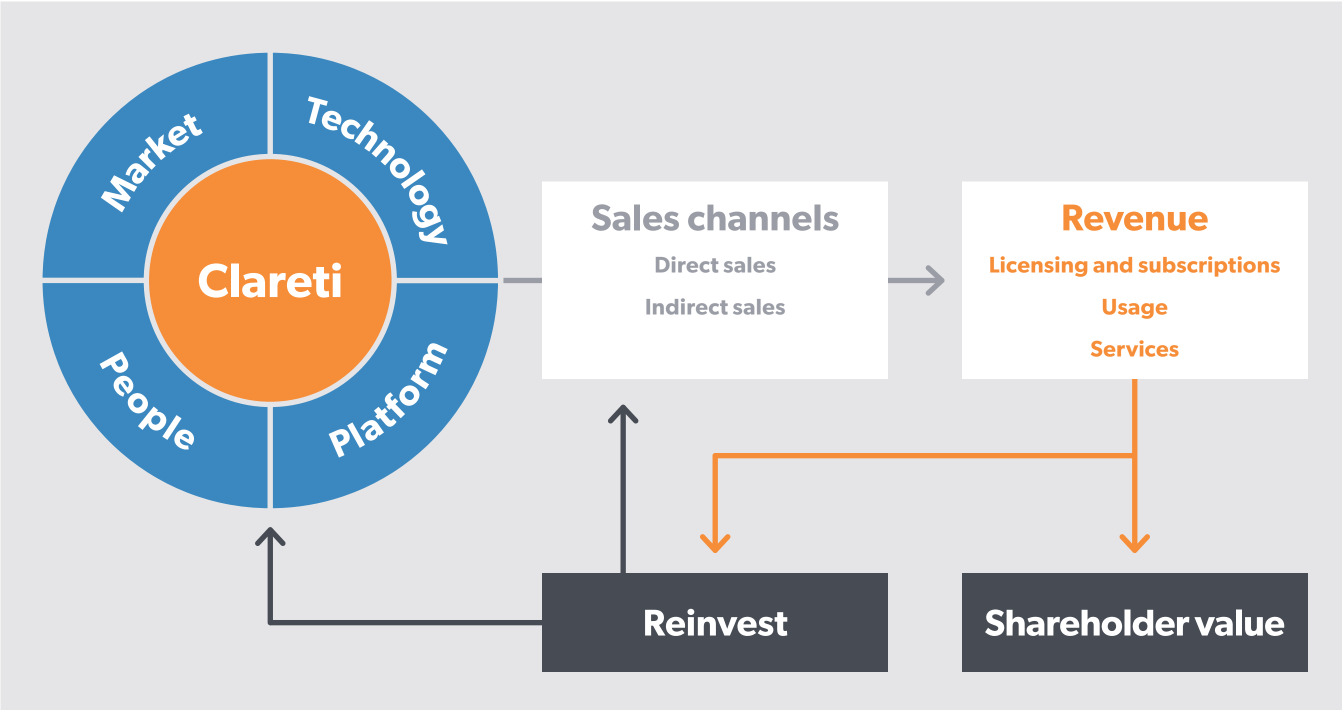
We are confident that our strategy to achieve sustainable long-term profitable growth and shareholder value based on CTC, and now the Clareti portfolio, is on track. There is a positive confidence and focused sense of purpose throughout the Gresham team and we are all excited about the potential to create a global leader in the enterprise data integrity market.

Thank you for your ongoing support.

Ian Manocha
Chief Executive
7 March 2016

Business model

We develop and sell innovative, software-based, financial technology solutions that generate licence, support and maintenance, subscription, and services revenues for the Group.



Technology innovation

Delivering innovative technology and services is fundamental to our solution offering. We actively review technical and business developments in our markets with a view to taking advantage of the available opportunities to maintain and improve our competitive position, and we foster a culture of innovation across all our business functions.

We continue to develop the Clareti platform and application portfolio with an agile development approach, delivering new functionality for existing and emerging markets, whilst keeping a balance between development and sales to ensure we deliver committed customer requirements. We remain committed to maintaining our ongoing high levels of investment in product development to maintain and extend our competitive position.

From our Innovation Labs in Bristol, we have extended the core CTC platform and have launched, and will continue to launch, new applications. Our team is evolving into one of the UK's most respected financial technology research and development centres, with an established and scalable process for building innovative, high quality software products.

Global business platform

We have streamlined our business over recent years and we enter 2016 with a global line of business functions supported by global IT systems and common processes across all functional areas, including sales and marketing and customer support, as well as business support and administrative functions such as IT, finance, legal and HR.

Our professional services organisation operates from four global hubs, and Centres of Excellence are being established to ensure all customers can draw upon the deep expertise that exists across the Group in solutions areas such as Accounts Receivable Management, or technical skills such as architecture and design. Our cloud delivery model is global with 24/7 support from our hubs as well as extended hours support from our Bristol Innovation Labs.

Our global business platform and robust business processes are led by a competent management team and we are confident that the right foundations are in place that will enable the Group to scale further in line with our strategic plan.

How we earn revenue

Licensing and subscriptions

The software element of any solution is licensed to the customer and a fee is payable either upfront (perpetual licence or term licence) or under a subscription "pay as you go" arrangement (recurring licence payments). Our preferred business model is to secure and retain recurring revenue streams because these provide high visibility of revenues going into future years. Clareti software is our route to building these valuable recurring, high margin, revenues over the long term based on our own intellectual property.

Wherever possible we sign contracts on a subscription basis, combining licensing and support and maintenance, typically with an initial term of at least three years, with automatic continuation at the end of that period. Both subscription fees and support and maintenance fees tend to be payable annually in advance.

Usage

Software licences typically include scope of use clauses that ensure the fee payable is appropriately aligned to the value being received by the customer, with fees scaling for higher usage. Examples of metrics used for this scaling include the number of transactions being controlled by the software, number of users, number of reconciliations being managed, or other measurable criteria. Fees from usage-based arrangements tend to be payable quarterly in arrears prior to folding into the normal pattern for established usage of annually in advance. We often also limit licence grants to a specific business function or defined project use in order to secure further growth in fees as usage expands across an enterprise. We ensure that all such scaling arrangements are transparent, fair and fully understood by the customer.

Services

The professional services element of any sale is typically charged on a time and materials basis based on an agreed scope of engagement, payable monthly in arrears. In certain circumstances, where scope and risk are well understood, we will engage on a fixed price basis and we typically charge based on successful completion of the necessary contract conditions and project milestones. Where possible, we secure subscription-based services through a managed service offering, which provides greater certainty of timing, scope and revenues from professional services versus the traditional time and materials basis of charging.

Sales channels

Direct sales

We have established a global team of experienced and well respected sales professionals who sell direct to customers. These direct sales efforts are focused on geographic locations where we have a presence, to maximise our efficiency and effectiveness in the sales process. We also consider working with customers in new locations where the business case makes sense.

Indirect sales

We also make use of indirect sales channels to access a larger addressable market and reach into new locations where we do not have a presence. At present, these indirect channels are primarily financial services providers that white label our products for the purposes of enhancing their own offering to their customers, and which deliver click fees or other types of revenues to us based on their customer take-up. As CTC becomes more established, we are also focusing on building a network of consulting partners in order to broaden our reach and scale our revenues.

People

We recognise that people are key to our ability to deliver on our strategic plans. We need the right level of expertise across all functions of the business in order to grow the business successfully, innovate and expand our offerings, and delight our customers on a global basis.

Our hiring model is based on a 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.

Retaining people and allowing them to fulfil their potential is crucial. We seek to achieve high levels of engagement and satisfaction across all business functions, and to that end we are participating in the Great Place to Work® programme to provide a mechanism for continuous feedback and improvement.

Market

Key to the successful achievement of our strategic aims is our ability to be recognised as a leader in our chosen markets, and the pace at which we can respond and react to changing market requirements.

Since launching CTC as an innovative matching and reconciliation solution, we have recognised the platform characteristics that CTC provides and we have since extended the core platform to support the launch of a series of business applications, giving us greater flexibility to satisfy existing and new markets without significant new investment.

We analyse the changing competitive pressures, regulatory landscape and risk management requirements affecting our target market, and we continually review the options and opportunities available to us to rapidly and cost-effectively address them in order to enhance our solutions in support of profitable growth. Our team includes experts in their respective fields and we engage strongly in providing thought leadership through our marketing activities, designed to enhance Gresham's profile in our chosen markets.

Strategy and key performance indicators

Our long-term objective is to establish Gresham as a market leader in real-time transaction control and enterprise data integrity solutions in order to drive profitable growth and build shareholder value.

To achieve our objective, we are executing a strategic plan built around developing, selling and supporting our market-leading software platform, CTC. Key to our strategic plan is winning and retaining recurring revenue annuity streams from the sale of our software solutions and the provision of subscription-based services. Recurring revenues provide high visibility of revenues for future years and CTC provides the Group with access to an addressable and growing market in which to win recurring revenues at high margin. In addition our strategic plan includes remaining committed to retaining other, non-Clareti strategic revenues to keep the Group in a strong financial and operational position and support Clareti-led growth.

We regularly review progress towards our overall objective by reference to strategic plan execution, business model, KPIs, the market and changes to risks and uncertainties faced by the Group. Where necessary, we change, modify or refine our plans in the pursuit of our long-term objective.

1 Concentrate our investment and sales efforts on CTC

Achievements in 2015

In 2015 we continued to focus our investments on CTC, both at a technology level and through recruitment into strategic positions. We added sales and marketing expertise in London and New York, and executed several marketing campaigns, all designed to build our CTC pipeline and order book going into 2016. CTC is making an ever-increasing contribution to the overall performance of the Group and in 2015 CTC became the Company's best-selling product.

Priorities for 2016

We are planning to continue investing in areas that directly enhance the market appeal for CTC, and to build our capacity to sell and deliver more quickly and effectively, having due regard to the likely quantum and timing of returns.

2 Create a sustainable global business in support of Clareti-led volume growth

Achievements in 2015

We are now organised within an efficient global operating model with the alignment of service lines across the Group. We have developed processes and invested in new technology designed to allow us to collaborate more efficiently across our locations in support of our ongoing efforts to market, sell, deliver and support Clareti products.

Priorities for 2016

We believe our global business is well positioned to absorb greater volume but we will continue to monitor resourcing requirements and identify technology improvements that can help us support larger scale without increasing costs linearly.

3 Grow CTC revenues and build a new high margin recurring CTC revenue stream

Achievements in 2015

We delivered strong growth this year in both CTC revenue and CTC recurring revenues.

We launched our Clareti-as-a-Service cloud subscription service in the year, which provides us with an additional deployment model for CTC and other Clareti platform applications.

We have grown our sales and marketing capacities to build on this momentum into 2016.

Priorities for 2016

We currently remain reliant on licence sales to achieve short-term financial objectives but intend to continue our transition to being subscription dominated.

We will continue our existing strategy using direct and channel sales in pursuit of strong growth in both recurring and non-recurring CTC revenues.

4 Leverage our Clareti technology platform to drive new high margin revenues

Achievements in 2015

The Clareti technology that underlies our CTC-based products provides a powerful, multi-purpose platform on which to build other applications in the data integrity space. We are building a leadership position in a new category of enterprise data integrity, leveraging our Clareti technology platform, and have begun formulating plans to launch a portfolio of Clareti-based applications to address new markets and specific business needs.

Priorities for 2016

We are looking to build new revenue streams in the enterprise data integrity space. We will leverage our Clareti platform and our global operating model to deliver new solutions, with a focus on high margin, subscription-based revenues.

5 Retain and grow other strategic revenues

Achievements in 2015

We have continued to retain and grow revenues non-CTC customers. These revenues are derived from a mix of partner products that we resell, services and our own legacy products, all of which are of strategic importance to the Group and will remain so until CTC and other Clareti revenues constitute the majority proportion of Group revenues.

Priorities for 2016

We will continue to work closely with these customers, providing service and support enhancements derived from our CTC investments, whilst managing overheads carefully and delivering more efficiencies where possible.

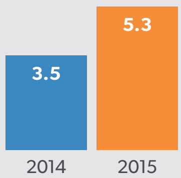
Key performance indicators ("KPIs")

The Group's KPIs have been selected as the most appropriate measures of strategy execution and progress towards achievement of our overall objective.

Clareti revenue

Clareti revenue

£5.3m



Link to strategy

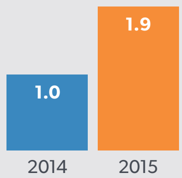
1 2 3 4 5

Description

The Clareti revenue KPI provides a measure of our progress in the overall execution of the Group's Clareti-led growth strategy. Clareti revenue is high margin and delivers a strong contribution to profitability.

Clareti recurring revenue

£1.9m



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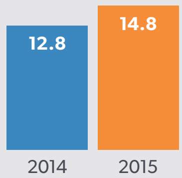
This KPI is an important component of our overall strategy as we pursue long-term, high margin revenue to provide high visibility of revenue into future years and a basis from which to drive profitable growth.

Revenue

Total revenue

£14.8m



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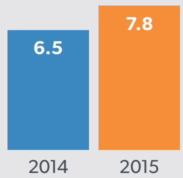
This measure constitutes a high level indicator of Group performance. In particular it recognises the continued importance to the Group of retaining and growing non-Clareti revenues.

Total recurring revenue

£7.8m



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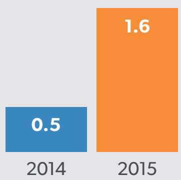
This KPI provides a measure of the underlying performance of the Group's business on a run-rate basis, which is an indicator of the level of visibility of all revenues into future years and in particular it takes into account the underlying strength of non-Clareti revenue.

Earnings

Profit before tax

£1.6m



Link to strategy

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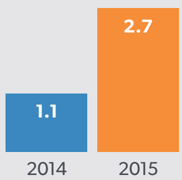
Description

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.

EBITDA/total revenue

Adjusted EBITDA

£2.7m



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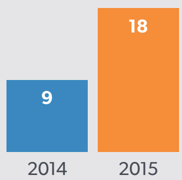
This earnings-based KPI provides a measure of our progress towards delivering profitable growth. Adjustments are made for share-based payment charges and exceptional items.

Adjusted EBITDA/ total revenue

18%



1 2 3 4 5

This measures our core profitability by presenting earnings in the context of revenues. We believe a target ratio of 30% or more provides a good benchmark measure of return for a product-based software company.

Principal risks and uncertainties

Risk management

The Board recognises that there are a number of risk factors that have the potential to adversely affect the Group's execution of its strategic plan and, more generally, the Group's operations, its financial performance or the value of its equities. The Board monitors the Group's risk management and internal control systems and has ultimate responsibility for ensuring the effectiveness of the systems and processes of risk management and internal control, with the assistance of the audit committee principally. In discharging its duties, the Board receives a monthly report on risk from the Executive Directors and has a standing agenda item to monitor and discuss the principal risks and uncertainties facing the Group together with actions being taken to mitigate them and future potential items for consideration. Please see page 25 for a report on the Board's review of the effectiveness of the Group's risk management and internal control systems.

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. A description of those risks and an explanation of how they are being managed or mitigated is set out below.

Failure to grow Clareti revenues and build a new high margin recurring Clareti revenue stream

Impact on Group

Central to our strategic plan is the growth of CTC and other Clareti revenues, along with a business model for Clareti recurring revenue growth.

Earnings-related growth follows directly from revenue growth.

Failure to secure Clareti revenue and recurring revenue growth would directly impact our achievement of overall objectives or lengthen the period taken to achieve them. Specifically, failure to close new Clareti contracts early enough in the year would jeopardise our ability to deliver the implementations and recognise the associated revenues in the year.

Assessment of change in risk during year

A consecutive year of achieving more than ten new CTC customer wins in the year further validates the product in our market and reduces the overall risk of failure. An increasing Clareti customer base also provides further opportunities for Clareti upsells and cross-sells.

Whilst we continue to see strong market demand for Clareti solutions, the risks associated with timing, type, mix and quantum of revenues that we are able to achieve from Clareti products remain unchanged as these factors are largely driven by the customers' requirements and budgeting processes. We continue to see long sales cycles, particularly for larger and more complex deals which typically require approvals from multiple internal committees and budget holders, presenting a significant ongoing risk to short-term KPIs.

Mitigation of risk

We have strengthened our CTC sales and marketing operations in order to build greater pipeline visibility and grow CTC revenues faster.

We have launched our cloud-based Clareti offering in the year, which provides a faster deployment model for customers and subscription-based licensing and services. We are also expanding our portfolio of Clareti-based products to address new business uses whilst using the same platform and infrastructure.

We continue to make planned investments in our target geographies and markets to maximise our chances of short-term success through sales.

We maintain our competitive advantage by delighting our customers and keeping our products innovative, appealing and responsive to market demand.

Development and sales of Clareti products become misaligned

Impact on Group

Ensuring that our investments in product development and innovation remain driven by demand in our target markets, and ensuring that we are able to deliver on development commitments, is central to our ability to successfully sell and grow CTC and other Clareti products.

Acceleration of specific roadmap items in respect of specific customer requests could place undue pressure on the development team, compromising service quality and/or the applicability of the investment to the wider market. This could in turn impact our ability to win and retain customers, impacting our strategic plans for revenue growth.

Assessment of change in risk during year

We are pursuing a path of ongoing product innovation in CTC and other Clareti products, and in parallel we are continuing to invest in growing our sales and marketing capabilities as part of our ongoing objectives. Our growing CTC customer base also means that we are receiving greater volumes of enhancement requests.

This presents greater risks of misalignment between sales opportunity and development priorities and it is important to ensure that alignment and mitigation plans are in place and active, primarily around executive review through regular product board meetings and also through enhanced internal processes and communications.

Mitigation of risk

We continue to review our development resource to ensure we have sufficient capacity whilst we grow CTC and other Clareti sales.

Communication lines between sales, development and the wider management team remain strong and are formalised in regular executive product board meetings to monitor risks and resolve issues.

Robust plan review and alignment processes are in place to mitigate risks associated with ongoing sales, development, implementation and support activities, involving the Group's senior management team.

Over-reliance on key customers

Impact on Group

We currently have a small number of customers considered key to the Group as they individually account for a significant proportion of Group revenues.

The loss of any one key customer would have a material impact on our future revenues and earnings, and may also have adverse reputational implications.

Retaining and growing revenues is critical to our achievement of overall objectives. Earnings would be directly affected by a reduction in revenue.

Assessment of change in risk during year

The ongoing growth in our overall customer base for CTC and other Clareti products dilutes the impact of any individual customer loss, thus reducing the overall risks associated with over-reliance on key customers.

Non-financial implications such as reputational damage and/or lack of referenceability following a key customer loss remain potentially damaging.

Overall these risks remain material at present but we believe they are likely to become less significant in future years as the product matures, as we increase our Clareti customer base and grow associated revenues.

Mitigation of risk

Revenue from our key customers comprises a growing recurring revenue element which is more predictable than other revenue streams and provides an intrinsic mitigation to the risk of loss. We maintain close dialogue with our key customers to promote strong relationships and mitigate termination risks.

Further, revenues from our two channel partner banks, each of which is considered a key customer and accounts for a significant proportion of the Group's recurring revenue stream, are tied to product use by their end customers meaning that discontinuing use of our products is a complex and time-consuming process, allowing time for mitigation steps to be taken.

Significant decline in non-Clareti revenues

Impact on Group

While Clareti revenues are building we remain reliant on revenues from non-Clareti solutions. Retaining non-Clareti revenues is critical to our achievement of overall objectives.

Revenues from our legacy VME and EDT products, which provide healthy cashflow to the Group, are in long-term decline. In addition we have limited ability to sustain and grow revenues generated from partner products.

Earnings are directly affected by a reduction in non-Clareti revenue and in particular legacy products which are generally high margin.

Assessment of change in risk during year

As we continue to grow Clareti revenues, our reliance on non-Clareti revenues is gradually reducing. We have seen revenues from our legacy EDT and VME products continue to decline as customers migrate, albeit slowly, to new hardware infrastructures.

Revenues from our partner solutions have seen modest growth in recent years but we anticipate this growth flattening and beginning to reverse in the medium term, which we have reflected in our financial forecasting. The timing and rate of the decline remains uncertain and there is a risk that an accelerated decline would affect our short-term KPIs.

Mitigation of risk

Revenues from non-Clareti solutions are spread across a range of products, geographies and customers, providing mitigation of large scale declines within a short period of time.

Our financial forecasting assumes levels of attrition in non-Clareti revenues based on recent experience and prudent assumptions as to how this trend will continue in future periods.

Adequacy of funding/liquidity

Impact on Group

Our strategic plans involve investment in development, sales and infrastructure to support our Clareti products and solutions, together with a relatively rapid growth in Clareti revenues.

It is critical that we have adequate funding for the investments required whilst also ensuring that revenue growth is supported by adequate working capital buffers.

Assessment of change in risk during year

The growing level of Clareti revenues associated with an expanding Clareti customer base provided more visibility over future Clareti revenues, allowing us to better manage our funding.

We believe that the working capital risk will persist as we grow our Clareti revenues and in the long term reach a steady state.

Mitigation of risk

We carefully monitor cashflows and liquidity to ensure we have adequate funding to meet the needs of our business.

The CFO receives a daily cashflow report, and the Board in turn receives a monthly cashflow report from the CFO.

Further information concerning how we monitor our cashflows and liquidity can be found in the Financial Review.

Viability statement

The Directors confirm that they have assessed the prospects of the Group over a three year period commencing 1 January 2016 and that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for that period. The Directors have selected a period of three years as they consider this to be a reasonable and appropriate duration on which to make the assessment, based on the fact that the Group operates rolling financial projections which extend for the current and two subsequent financial years, and the Directors' evaluation of the forward-looking order book for Clareti revenues with Clareti contracts typically being signed for three year minimum contract terms, balanced against the likely attrition rate of non-Clareti revenues. In making this statement, the Directors have considered the Group's current position and the potential impact of the principal risks and uncertainties described above on the Group's business model, future performance, solvency or liquidity, taking account of severe but reasonable scenarios and the effectiveness of any mitigating actions, and have performed stress test analysis based on likely outcomes.

Operational review

Gathering CTC momentum

During 2015, we saw eleven new CTC customers contributing to Group revenues for the first time. New customer wins were represented across our targeted financial services industry sub-segments including insurance, banking and capital markets, payments, clearing and settlements. Use cases were also in line with our plan, namely financial and risk control, regulatory compliance and transition management.

We have invested strongly in direct sales and marketing resources in the year, in addition to forming strategic alliances to further expand distribution capability, and it was pleasing to see high quality wins in all our target geographic markets of UK and Europe, Asia Pacific and the US.

Sales progress in UK and Europe

Three new CTC clients started their subscriptions in the first quarter of 2015, including one of the world's leading clearers of derivatives, cash securities, OTCs and other financial instruments, that is deploying CTC for real-time matching and reconciliation of exchange traded derivatives and intersystem transactions.

One of the world's leading legal services businesses contracted to use CTC for the matching and reconciliation of its Oracle record of payment transactions with third party statements from around the world.

A major European investment bank selected CTC to assist with a high profile regulatory reporting and compliance project which was successfully completed on time, and for which CTC was used to validate the bank's transaction data against specific Approved Reporting Mechanism formats and rules prior to being reported. Supervisory authorities are putting much greater emphasis on the accuracy and completeness of risk and financial data and our data integrity platform has unique capabilities that enable institutions to confirm that they are reporting correctly.

One of the largest global insurance and reinsurance brokers, and leading global risk adviser, selected CTC to control its inter-company trading between international offices using disparate systems, currencies, languages, formats and reporting methods. They intend to further expand the use of the technology to control broker and bureau transactions. The use of CTC workflow has transformed hitherto manual processes and CTC also automates the generation of key reports required for regulatory purposes as well as control of settlement and collections.

A leading provider of corporate employee equity and non-equity plan administration services with a client base across Europe and Asia contracted to use CTC for replacement of manual and spreadsheet-based controls and reconciliations in its securities and cash accounts. CTC is expected to become the client's standard transaction control platform deployed across its international businesses.

In the fourth quarter, one of the UK's largest banks adopted CTC Transition Management in its digital transformation programme for data integrity assurance during business change. As a new "key customer", this account has significant growth potential and we are already seeing incremental opportunities come into our pipeline. A key customer is an account which has potential to generate revenues greater than £3m over five years.

Finally, Europe's leading real estate debt specialists selected Gresham to partner with them to build a new application based on Clareti-as-a-Service that will enable them to disrupt the third party loan servicing market, and for Gresham to target the global lending systems market with an innovative cloud solution. We are positive about the potential to sell a broader loan control offering into financial institutions that are also a key market for our transaction control solutions.

Aside from CTC, as noted by your Chairman we saw increased revenues from our UK cash management clients, although we do not expect that trend to continue in the medium term. It was therefore encouraging to see a consistent beat rate of new CTC UK and European sales closing throughout the year.

Sales progress in the US

Our investment in a New York office in 2014 has started to bear fruit. Our first US client, a major financial services organisation, which selected CTC as a white labelled matching and reconciliation offering to its asset management clients, made its first contribution to Group revenues.

In June we signed a leading North America based provider of solutions for the pre-paid products market to use CTC to control and reconcile payment transaction data within its settlement operations and accounting functions. This win in the payments arena underlines the versatility and power of the Clareti platform to adapt across multiple industries. The platform's PCI-DSS accreditation was instrumental in giving the client confidence in using CTC to handle payment card data.

A New York based asset manager became our third client in North America adopting CTC to perform cash, position and trade transaction control to underpin its internal risk control processes. As a global specialist in alternative risk exposures, the business is growing rapidly and it intends to use CTC to deliver all internal data validation checks across current and future business lines in line with our enterprise data integrity vision.

During the year we strengthened the sales team, expanded our New York presence and initiated a plan to move our Denver support operations into New York to gain scale on the East Coast closer to our target financial services community. We regard success in the US and Canada financial markets as important for the Group's future and 2015 results represent very good progress.

Sales progress in Asia Pacific

We continue to build on our long-established presence in Australia and our more recent investment in Singapore to target the Asian financial services market. We have now established dedicated sales teams in each location alongside our delivery hubs and are positive about the potential in the region.

Through 2015 we saw steady account growth in our Australian business as client usage of CTC increased. Our 2013 customer win of white labelled Accounts Receivable Management ("ARM") in Singapore also increased its investment, and is working collaboratively with us to extend the ARM offering even further ahead of competitive alternatives.

Alongside existing customer growth, it was especially pleasing to win a second client in Singapore. The Asia operation of a leading global insurance and asset management provider selected CTC for financial control and was able to go live with its first controls within just a few weeks. CTC is used to provide control and integrity of Nostro Bank Accounts, reconciling high value payments from customers against a number of internal policy ledger systems. Prior to implementing CTC, these processes were managed using a combination of manual checks and spreadsheets. The project will improve transaction integrity, create efficiencies and reduce operating costs, and will establish a robust global control framework for future projects.

> "As soon as we had seen the demonstration, we felt that CTC could improve our business processes."
>
> **Associate Director of Property and Asset Management, JLL**

Customer loyalty and implementation success

We continue to see strong loyalty within the CTC customer base. Nine existing CTC customers extended their investment, proving the potential to grow the relationship within accounts based on high levels of customer satisfaction, a licensing model with fees based on usage, and strong demand for data integrity across a wide variety of use cases within our client base.

We pay close attention to securing rapid implementation success and gaining referenceability across the customer base. The Group's professional services are profitable with implementation projects on track and customer satisfaction remaining high. We now measure Net Promoter Score® after key points of interaction with customer support and are encouraged by the results.

Notable successes during the year included one of our larger early-adopter global investment banking clients signing off its multi-year enterprise control framework migration project. It is now live with an enterprise-scale implementation of CTC with in excess of 400 controls on a single instance processing up to 180 million transactions a day with three million in real time. This is a ground breaking project for the industry and an excellent demonstration of the adaptability and scalability of the Clareti platform, the best-in-class processing speed of our matching engine, and the rapid pace at which controls can be deployed.

Our CTC Transition Management offering received comparable endorsements after flawlessly managing the data integrity processes related to the migration and reconciliation of 1.5 billion records as part of a substantial master data management project for a global insurer. The traditional manually intensive approach would have been far more costly and time consuming, and lacked transparency and auditability.

Innovation

The Group continues to invest heavily in research and development in order to maintain its technology advantage in the core matching and reconciliation market and the expansion into enterprise data integrity. The Clareti platform presents the Group with multiple possibilities for long-term sustained growth and in addition to making extensions to the platform we will grow the portfolio of packaged applications. We have introduced a "Cloud First & Cloud Native" strategy that underpins our 2016 programme of work.

During 2015 we announced a number of new product initiatives:

A major new version of our CTC Accounts Receivable Management application was released. CTC ARM automates matching and allocations in the order-to-cash cycle which is often slow, manual and prone to error. With CTC ARM matching is performed quickly and accurately and working capital can be released in good time. The application is based on our multi-tenanted Clareti platform with white labelling flexibility and enhanced cash and information management functionality. This enables banks to offer innovative products to their corporate customers via the banks' own secure private cloud. This release has been well received and we are positive about the potential for CTC ARM, building on the success we have achieved so far.

Our core platform also benefited from ongoing investment. The platform is based on a robust modern architecture and is continually evolving as prospects and customers challenge the software with new use cases. We received PCI-DSS accreditation as a validation of our security model enabling us to target the credit card and payment processing market. We also introduced the CTC On-boarding Accelerator, which has been extremely well received by our customers because it enables them to build, deploy and maintain controls entirely through a graphical interface.

In the third quarter, we announced the availability of CaaS, our cloud and managed services platform. It was pleasing to see our first wins for CaaS come through during the year and in the first quarter of 2016, and we believe there is also potential for incremental managed service revenue in our existing customer base.

People

In 2015 we undertook a first externally benchmarked employee engagement study with Great Place to Work® and were encouraged by a strong set of overall scores including class-leading results for "strategy and direction" and "values and ethics". Staff are encouraged to discuss issues openly and managers are encouraged to enter the "zone of uncomfortable debate" in the search for the best outcomes.

We have also introduced a Group-wide programme to implement strategies for retaining 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, and in some cases, performance-related incentives aligned to achievement of strategic objectives, measured by Group KPIs, and relevant to their role.

There is a programme of regular "all hands" communications from me and other members of the senior management team, and regular team "stand ups" and social events encourage high levels of engagement. An awards and recognition programme was introduced in 2015.

The Group is moving towards an environment of continuous employee/manager dialogue, rather than annual performance appraisals to ensure that staff are getting ongoing support from the Group (including training needs) to satisfactorily complete their job requirements and achieve Group objectives.

Ian Manocha
Chief Executive
7 March 2016

Financial review

Dear shareholder,

I am pleased to present this financial review for the year ended 31 December 2015 which has been a breakthrough year for CTC and a validation of our ongoing strategies to grow CTC and other new Clareti revenues from a base of sustainable partner and legacy revenues.

Operating performance

As CTC has become ever more central to our business we now segment our operating performance between Clareti software and services revenues and Other software and services revenues. For the years 2015 and 2014 Clareti revenues were solely attributable to CTC, and our expectation for future years is that this segment will include revenues from other applications running on the same Clareti platform as CTC. Further discussion of the Group's change in reportable segments is set out in note 4 of the Group financial statements.

Operating performance is analysed excluding exceptional items, which is consistent with the way in which the Board reviews the financial results of the Group.

Operating performance table

The following table summarises the Group's operating performance.

		2015 £m	2014 £m	Variance £m	Variance %
Revenue-based performance:					
Clareti Software					
Recurring		**1.9**	1.0	0.9	90%
Non-recurring		**1.5**	0.1	1.4	1400%
	KPI	**3.4**	1.1	2.3	212%
Clareti Services		**1.9**	2.4	(0.5)	(21)%
Clareti Revenues – total	KPI	**5.3**	3.5	1.8	51%
Other software and services					
Recurring		**5.9**	5.5	0.4	7%
Non-recurring		**3.6**	3.8	(0.2)	(5)%
		9.5	9.3	0.2	2%
Total revenues	KPI	**14.8**	12.8	2.0	16%
Total recurring revenue	KPI	**7.8**	6.5	1.3	20%
Earnings-based performance					
Statutory profit before tax as reported		**1.58**	0.46	1.12	243%
Adjustments for exceptional items		**0.15**	0.00	0.15	n/a
Adjusted profit before tax		**1.73**	0.46	1.27	276%
Interest income		**(0.02)**	(0.04)	0.02	(50)%
Amortisation and depreciation		**0.88**	0.63	0.25	40%
Share-based payments charge		**0.11**	0.05	0.06	120%
Adjusted EBITDA	KPI	**2.70**	1.10	1.60	145%
Adjusted EBITDA/total revenue	KPI	**18%**	9%	10%	113%
Profit after tax		**1.95**	1.10	0.85	77%
Basic earnings per share (pence)		**3.08**	1.77	1.31	74%
Basic earnings per share (pence) – adjusted		**3.32**	1.77	1.55	88%

EBITDA refers to earnings before interest, tax, depreciation and amortisation.

Revenues

2015 was a significant year for the Group's Clareti-led strategy as the Clareti platform and applications continued to win high quality and credible customers in our target geographies and markets as well as generating strong additional revenues from increased usage by existing customers. Clareti revenues rose 51% as result, increasing £1.8m to £5.3m year on year, and achieved the milestone of becoming the Group's highest revenue-generating product set in addition to becoming the largest gross margin contributor.

The Group has a strategic aim to focus revenue opportunities on annuity-based models to increase recurring revenue and visibility of future revenues that are either contracted or generally expected to automatically renew. Software recurring revenues typically include customers paying for support and maintenance for installed software plus customer subscriptions that combine licence fees for use of the software and support and maintenance charges. Conversely, software non-recurring revenues comprise software perpetual licences. Services comprise project-based consultancy services. During 2015 the Group saw good progress against this strategic aim with Clareti software recurring revenues rising 90%, increasing £0.9m to £1.9m year on year.

The following table further analyses the Clareti software revenue recognised in the current and prior financial years together with the run-rate achieved at the end of each financial year:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Clareti revenue					
Software revenue	**3.4**	1.1	1.5	0.2	0.0
of which software recurring revenue	**1.9**	1.0	0.4	0.2	0.0
Recurring revenue run-rate[1] 31 December	**2.4**	1.6	0.7	0.2	0.0

(1) Being Clareti software recurring revenue to be recognised in the following financial period arising from existing customer contracts

The Group's Other software and services revenue is comprised of the non-Clareti portfolio of software products and services and includes revenues from our legacy products such as VME and EDT, as well as those from our partner products such as CashFac's Virtual Bank Technology® and Wall Street Systems' treasury products. This portfolio of products remained stable as anticipated, recording growth of 2% and increasing £0.2m to £9.5m year on year. These Other software and services revenues continue to be mostly recurring in nature.

"Gresham did a great job in providing a solution that was beyond our expectation. It became very clear that the CTC product is already next-generation. I would not hesitate to utilise Gresham again."

Chief Operating Officer, Sberbank

Earnings

The Group delivered a strong increase in earnings with adjusted EBITDA rising by 145%, increasing £1.6m to £2.7m year on year. This increase was consistent with the growth in CTC revenues and reflects the high margins (typically 90%+) associated with CTC revenues and the profitability they generate. Administrative costs in the business continue to be closely controlled with planned increases in sales and marketing spend as the Group seeks to maximise the investments in product development and the market opportunities available for the Clareti platform and applications.

Exceptional items

In H1 2015 the Group completed its planned CEO succession, which incurred a number of one-off costs from professional advisers involved throughout the process. In H2 2015 the Group undertook a review of its marketing and operating activities and made changes that resulted in a number of one-off costs being incurred. These one-off items totalled £149,000 and have been disclosed as exceptional items. There were no exceptional items for the year ended 31 December 2014.

Financial review continued

Cashflow and working capital

The following table summarises the Group's cash movements.

	2015 £m	2014 £m
Statutory profit before tax as reported	1.6	0.5
Depreciation, amortisation and impairment	1.0	0.7
Share-based payment expense	0.1	0.1
Working capital movements	(0.5)	1.8
Net income taxes received	1.0	—
Cash inflow from operations	3.2	3.1
Purchase of property, plant and equipment	(0.2)	(0.2)
Payments to acquire intangible fixed assets	(3.0)	(3.3)
Net cash used in investing activities	(3.2)	(3.5)
Net cash from financing	0.0	0.8
Net increase in cash and cash equivalents	0.0	0.4
Cash and cash equivalents at 1 January	4.7	4.4
Exchange adjustments	0.0	(0.1)
Cash and cash equivalents at end of period	4.7	4.7

The Group's financial position remains strong at 31 December 2015 with cash of £4.7m and no debt (2014: £4.7m and no debt). Cash remained flat year on year as the cash generated from the business was invested in both product development and distribution channels (primarily our own sales and marketing activities currently).

Cashflow and funding more generally remain a focus as the Group carefully balances the need to invest upfront in product and the sales and marketing required to distribute it in advance of winning and getting paid by new clients. The Group is particularly sensitive to this with larger customers that typically require long selling cycles pre-contract and lengthy on-boarding processes.

Despite this, cashflow for the Group remains well balanced and cash generated from operating activities is supplemented with the research and development tax credit that is available in the UK to facilitate investment in innovation. The Group anticipates cash will increase as the trend of increasing Clareti revenue continues and moves ahead of product and sales and marketing investment and other operational expenditure required to service these revenues.

Development spend

In 2015, development spend was slightly down on 2014 at £2.9m (2014: £3.1m) and is expected to continue at this level whilst the Group targets new markets and use cases that require product innovation. During the year our development activities focused on Clareti-as-a-Service, Accounts Receivable Management and PCI-DSS compliance in addition to various incremental improvements to existing and anticipated customer use cases. Development spend is prioritised on product innovation that generates the most likely recurring revenue returns.

Taxation

For the year ended 31 December 2015, the Group has recorded a net tax credit of £0.4m (2014: £0.6m), mainly comprising a research and development tax credit of £0.8m (2014: £0.8m), offset with a deferred tax charge of £0.4m (2014: £0.2m). The Group's accumulated deferred tax asset of £0.2m will reverse as a non-cash taxation charge to the income statement in future periods whilst the research and development tax credits are receivable in cash during the year following recognition.

At 31 December 2015, the Group had unrecognised tax losses carried forward for offset against future trading profits of £10.2m (2014: £10.1m). The majority of these are attributable to the UK statutory company that owns the intellectual property rights in the Clareti platform and associated applications.

Rob Grubb
Chief Financial Officer
7 March 2016

Corporate Governance

Board of Directors

Chairman's introduction to governance

We are committed to achieving high standards of corporate governance throughout the Group. The Board acknowledges the importance of achieving management accountability and managing risks and uncertainties both proactively and as they arise. Our governance principles remain aligned to the UK Corporate Governance Code, namely leadership, effectiveness, accountability, remuneration and engagement. As a Board, the Group's strategy and performance, culture and values, and risks and uncertainties are discussed and debated, as well as key operational matters as they arise. As regards the membership of the Board, 2015 saw a significant change with Ian Manocha succeeding Chris Errington as Chief Executive Officer following a thorough search process. Ian brings enormous experience in the financial technology sector and we are delighted to welcome him to the Board.

Ken Archer
Non-Executive Chairman
7 March 2016

Ken Archer
Non-Executive Chairman

Ian Manocha
Chief Executive Officer

	Ken Archer	Ian Manocha
Skills and experience	Ken has over 35 years' experience in the IT industry and possesses a wealth of knowledge of financial technology products and services having held a number of senior executive positions in this sector.	Ian has extensive experience in the business technology sector. He joined Gresham from SAS where he worked for 20 years, most recently as vice president business units, EMEA and AP. Ian has worked extensively with many of the world's leading financial institutions and has been successful in growing companies to significant scale through securing and delivering high value enterprise software deals.
Committees	Chairman of the nomination committee (from 7 March 2016). Member of the audit committee and remuneration committee.	None.
Term of office	Ken was appointed to the Board as a Non-Executive Director in June 2010 and became Non-Executive Chairman in November 2010.	Ian was appointed Chief Executive Officer in June 2015.
Independent	No.	No.
External appointments	Ken is a non-executive director of Fidessa group plc.	None.

Rob Grubb
Chief Financial Officer

Max Royde
Senior Non-Executive Director

Chris Errington
Non-Executive Director

Rob Grubb	Max Royde	Chris Errington
Rob qualified as a Chartered Accountant with Ernst & Young and has acquired substantial experience in assurance and strategic financial planning, as well as strong listed company experience.	Max is a partner at Kestrel Partners LLP, a smaller company fund management business founded in October 2009. Max has extensive knowledge of financial services and also has substantial listed company experience, having held directorships of other listed companies.	Chris qualified as a Chartered Accountant with Ernst & Young and has acquired substantial experience in the financial technology sector. Chris is head of research at Kestrel Partners LLP.
None.	Chairman of the remuneration committee and (until conclusion of the 2016 AGM) chairman of the audit committee.	Chairman of the audit committee (from conclusion of the 2016 AGM) and member of the nomination committee (from 7 March 2016).
Rob was appointed Chief Financial Officer in 2011 and was previously Company Secretary (2009 to 2014).	Max was appointed to the Board in August 2009.	Chris was appointed as a Non-Executive Director in June 2015, having previously been CEO (2010 to 2015) and CFO (2004 to 2010).
No.	No.	No.
None.	None.	Chris is non-executive chairman of Snoozebox Holdings plc.

Strategic Report

Corporate Governance

Financial Statements

Statement of corporate governance

This statement explains how the Company has applied the main and supporting principles of corporate governance and describes the Company's compliance with the provisions of the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council and available at www.frc.org.uk. All references to the Company are in respect of the statutory entity Gresham Computing plc, which is the ultimate parent undertaking of the Gresham group of companies.

Statement by the Directors on compliance with the UK Corporate Governance Code 2014

The Company has complied with the relevant provisions ("Provisions") set out in the UK Corporate Governance Code 2014 (the "Code") throughout the year with the exception of the matters referred to below:

Provisions	Exceptions	Explanations and steps taken
B1.1, B1.2, D1.3	The Company does not have any Non-Executive Directors who are considered independent. K Archer and M Royde are not considered independent as a result of their participation in December 2010 in the Group's share option scheme. Further, M Royde is also not considered independent as a result of his interest in Kestrel Opportunities and its interest in Gresham as noted on page 35. C Errington is not considered independent as he previously held the role of Chief Executive of the Company and also has a paid role as head of research at Kestrel Partners LLP.	The Group's share option scheme adopted in December 2010 was approved by the Company in general meeting following consultation with significant shareholders. The need for and the appointment of independent Non-Executive Directors is kept under close review taking into account changes in the Company's size, complexity and circumstances. The nomination committee formed by the Board as of 7 March 2016 has an ongoing action to continually assess the need for independent Non-Executive Directors and made recommendations to the Board.
B2.1, C3.1, D2.1	The nomination committee, audit committee and remuneration committee do not include at least two Non-Executive Directors who are considered independent, for the reasons set out above. Further, the audit committee does not currently include at least one member with recent and relevant financial experience.	As stated above, matters relating to composition of the Board and its committees are kept under close review, a process now formalised through the formation of the nomination committee. As of the date of the 2016 AGM, C Errington will be appointed as chairman of the audit committee which will satisfy the requirement to have at least one member with recent and relevant financial experience.
B2.1, B2.2, B2.4	The Company did not have a nomination committee in 2015.	Prior to the establishment of a nomination committee on 7 March 2016, matters relating to Board appointments were discussed and agreed upon with input from all Directors as part of Board proceedings, and the Board as a whole performed the duties ordinarily falling to a nomination committee. This was considered appropriate in light of the relatively small size of the Board, and discharging such duties did not disrupt normal operations of the Board. The Board has reviewed the position and, taking into account the Company's size, complexity and circumstances, the Board has concluded that it is now appropriate to form a nomination committee. Therefore, as of 7 March 2016, the Board has established a nomination committee for the purposes of performing the duties set out in the applicable Code provisions.
B2.3	Non-Executive Directors are appointed for unspecified terms and as such the Company does not comply with the requirement to appoint Non-Executive Directors for a specified term, subject to re-election and to statutory provisions relating to the removal of a director.	Each Non-Executive Director's appointment is terminable by three months' notice from either party, enabling the Board to take action should performance be unsatisfactory. All Directors, including Non-Executive Directors, are subject to re-election at intervals of no more than three years, or annually in the case of any Non-Executive Director who has served longer than nine years, and to statutory provisions relating to the removal of a director.

The Board and its committees

Board composition

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

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

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

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

Up until March 2014, R Grubb, the Chief Financial Officer, also held the post of Company Secretary. On 21 March 2014, R Grubb resigned as Company Secretary and on the same day J Cathie was appointed Company Secretary. J Cathie is not a Director of the Company.
The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Board and its committees continued

Operation of the Board

The Board is responsible to shareholders for the proper management of the Group. A statement of the Directors' responsibilities in respect of the financial statements is set out on page 37 and a statement on going concern is given on page 24.

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

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

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

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

The Board has formed the following committees to deal with the specific aspects of the Group's affairs. The committee chairmen report regularly to the whole Board and are required to confirm that the committees have sufficient resources to undertake their duties.

Audit committee

The audit committee is currently comprised of M Royde (committee chairman) and K Archer. As of conclusion of the 2016 Annual General Meeting ("AGM"), C Errington will become chairman of the audit committee in lieu of M Royde who will cease to be a member of the audit committee from such time. There were two audit committee meetings in respect of the 2015 financial year, and both were attended by the lead external audit partner and were attended by the Executive Directors by invitation. The role and responsibilities of the audit committee are set out in terms of reference available on request from the Company Secretary and are described in more detail in the report of the audit committee on page 25.

Remuneration committee

The remuneration committee is currently comprised of M Royde (committee chairman) and K Archer. The role and responsibilities of the remuneration committee are set out in terms of reference available on request from the Company Secretary and are outlined in the Directors' Remuneration Report on page 27.

Nomination committee

The nomination committee is currently comprised of K Archer (committee chairman) and C Errington. The nomination committee was formed on 7 March 2016. The role and responsibilities of the nomination committee are set out in terms of reference available on request from the Company Secretary and are outlined in the report of the nomination committee on page 26.

Meetings and attendance

The following table summarises the number of Board, audit committee and remuneration committee meetings held during the year and the attendance record of individual Directors at those meetings. There were no nomination committee meetings in the year as the committee was only formed on 7 March 2016.

	Board	Audit Committee(1)	Remuneration Committee(1)
Number of meetings held	13	2	1
Number of meetings attended			
K Archer	13	2	1
I Manocha(2)	6	1	1
R Grubb	13	2	1
M Royde	12	2	1
C Errington(3)	13	2	1
H Purdey(4)	2	—	—

(1) Executive directors and other non-members attend by invitation

(2) Appointed 1 June 2015

(3) Executive director until 1 June 2015 and then Non-Executive Director

(4) Resigned 27 January 2015

Induction, training and performance evaluation

Induction and training

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

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

Evaluation of the Board's performance

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

Statement of corporate governance continued

Induction, training and performance evaluation continued

Evaluation of the Board's performance continued

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

Retirement and re-election

All Directors are subject to election by shareholders at the first AGM immediately following their appointment and thereafter are subject to re-election at intervals of no more than three years, or annually for any Non-Executive Director who has served for more than nine years. Non-Executive Directors are appointed for unspecified terms and are terminable by three months' notice from either the Company or the individual.

Relations with shareholders

Dialogue with institutional shareholders

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

Members of the Board meet with major shareholders on a regular basis, including presentations after the Company's announcement of the year-end results and at the half year. Non-Executives are offered the opportunity to attend meetings with major shareholders and attend on a regular basis.

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

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

Constructive use of the AGM

The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. All members of the Board attended the Company's last AGM save for C Errington who was unable to attend due to business travel, and the Chairman aims to ensure that all members of the Board will be available at the forthcoming AGM.

Details of resolutions to be proposed at the AGM can be found in the Notice of the Meeting. A separate resolution is proposed for each substantially separate issue including a separate resolution relating to the report and accounts.

Accountability and audit

Financial reporting

The Board is responsible for presenting a balanced and understandable assessment of the Company's position and prospects, extending to interim reports and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements. A statement of the Directors' responsibilities is set out on page 37.

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

Going concern

The Directors are required to report that the business is a going concern, with supporting assumptions and qualifications as necessary. The Directors have concluded that the business is a going concern as further explained in the Directors' Report on page 33. Refer to page 13 for the viability statement required pursuant to Provision C2.2 of the Code.

Control environment

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

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

Report of the audit committee

The audit committee is responsible for reviewing the Group's internal control and risk management systems, and reviewing and monitoring the requirement for an internal audit function and the effectiveness of the external audit. Activities include monitoring the integrity of the Group's financial statements and other formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained in them.

The audit committee advises the Board on the appointment, reappointment and removal of the external auditor, considers its effectiveness and approves its remuneration and terms of engagement, which includes developing and implementing a policy on the provision of non-audit services by the external audit firm. It also reviews and monitors the independence and objectivity of the external auditor.

The work of the committee in discharging its responsibilities includes:

- monitoring the integrity of the financial statements of the Group, and any formal announcements relating to the Group's financial performance, and reviewing financial reporting judgements contained in them;
- reviewing the Group's internal financial controls and reviewing the Group's internal control and risk management systems;
- reviewing the Group's whistle-blowing arrangements;
- reviewing the need for a separate internal audit function;
- making recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- developing and implementing policy on engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- to report to the Board, identifying any matters for which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The committee has met with senior management and the external auditor to review financial reporting prior to the year end and at the full year, including discussions as to the scope, materiality, timing and findings of the annual audit.

Significant judgements

The significant judgements in relation to the financial statements considered by the committee are:

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

  The committee has considered the development costs capitalised, including the technical and commercial feasibility of the product being produced and as to whether further costs continue to fulfil the required IAS 38 criteria or are of maintenance in nature. The committee's review encompasses direct discussion with executive and operational management, in addition to reviewing monthly formal reporting to the Board on development and associated sales and implementation activity. The committee has concluded treatment of development costs continues to be in line with IFRS requirements.

- Revenue and profit recognition – fixed price contracts are accounted for in accordance with IAS 11 Construction Contracts. Revenue and profits are recognised on a percentage-of-completion basis, as costs incurred relate to total costs for the contract, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably requires management to exercise judgement, whilst calculation of the contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

  The committee has reviewed executive and operational management's descriptions and status reports on material work in progress through the year, both through direct discussion and formal month-end reporting to the Board. The committee has furthermore considered management's assessments made on percentage of completion of material work in progress, and other judgements such as bundling or unbundling of revenue streams, and the resulting impact on revenue and profit recognition. The committee has concluded that the timing of revenue and profit recognition continues to be in line with IFRS requirements.

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

  The committee has considered management's assessments of value in use of cash-generating units of intangible assets (principally the goodwill and capitalised development costs) at the reporting date. This included specifically considering and subsequently approving business plans prepared by management supporting the future performance expectations used in the calculation of the value in use. The committee has concluded that the value in uses calculated for intangible assets are appropriate, and supports the carrying values of intangible assets at the year end, in line with IFRS requirements.

Risk management and internal control systems

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

Statement of corporate governance continued

Report of the audit committee continued

Risk management and internal control systems continued

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

The Company's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. Action has been taken by the Board to enhance financial and other controls during the year. In addition, steps are continuing to be taken to further embed internal control and risk management processes into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

An embedded ongoing process for identifying, evaluating and managing the principal risks faced by the Group has been in place throughout the year and remains in place up to the date of the approval of the financial statements. The process is regularly reviewed by the Board and accords with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting produced by the Financial Reporting Council in September 2014.

Whistle-blowing

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

Internal audit

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

External auditor appointment

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

The last audit tender process undertaken by the committee was performed in 2010 resulting in the appointment of BDO LLP as external auditor for the year ended 31 December 2010. BDO LLP has continued as external auditor for every year since then including in respect of this Annual Financial Report, and a resolution to reappoint BDO LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting.

External auditor effectiveness

The committee discussed and approved the scope of and the fees for the external audit plan and in addition, the committee considered external audit's assessment of the significant risks in the Group's financial statements. Throughout the year, the committee tracked these risks and associated work undertaken by external audit has been evaluated.

The committee monitored the conduct and effectiveness of external audit by considering the commercial experience and expertise of the auditor, particularly in the Group's industry sector; the fulfilment of the agreed audit plan and any variations from this plan; and the robustness of the external auditor in its handling of key accounting and audit judgements.

External auditor independence

The committee seeks to maintain auditor objectivity and independence by reviewing and controlling the manner in which non-audit services are awarded to the auditor on at least an annual basis. The Group has a rigorous policy designed to ensure that the auditor's independence is not compromised by its undertaking inappropriate non-audit work. All significant non-audit work, and any work of a non-compliance consultancy nature, commissioned from the external auditor requires audit committee approval.

The committee formally reviews the independence of the external auditor on an annual basis and has undertaken its annual review of the nature and amount of non-audit work undertaken by the external auditor and satisfied itself that there is no effect on its independence.

Report of the nomination committee

The nomination committee is responsible for leading the process for Board appointments and making recommendations to the Board. The nomination committee was formed on 7 March 2016 and as such it provides this report in respect of the activities carried out by the Board as a whole as they apply to 2015.

The Chief Executive Officer succession process that was initiated in 2014 concluded on 5 March 2015 with the appointment of I Manocha and an associated change in role for C Errington, effective 1 June 2015. The Chief Executive appointment process involved the use of independent search consultants.

Appointments to the Board are made on merit and against objective criteria. The Board's policy is to consider all applicants for any appointment with due regard for equality of opportunity, including gender, to create workplace cultures that promote inclusion and diversity. Given the relatively small size of the Board and the Group, the Board did not set any measurable objectives for implementing the policy, but it acknowledges the important role that it plays in promoting inclusion and diversity within the Group and on the Board, and keeps the need to set measurable objectives under review. As regards Board appointments, care is taken to ensure that Board appointees have enough time to devote to the job, especially in the case of chairmanships. The nomination committee keeps under review, and takes appropriate action to ensure, orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Group and on the Board.

The Board considers the other significant commitments of Non-Executive Directors prior to appointment, to ensure that they have sufficient time to meet what is expected of them, and keeps changes to these commitments under review. The terms and conditions of appointment of Non-Executive Directors and service contracts of Executive Directors are available for inspection by any person at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting). Details of positions held in other companies are included on pages 20 and 21.

Remuneration report

Annual statement from the chairman of the remuneration committee

The remuneration committee is chaired by M Royde and K Archer is a member.

The following Directors' Remuneration Report is presented for the year ended 31 December 2015.

The Group's policy on Directors' remuneration for the current and subsequent financial years is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value. The Group intentionally operates a simple remuneration structure made up of basic salary, benefits, share options, performance-related bonuses and pensions, with a significant proportion based on performance and dependent upon the achievement of demanding targets, which provide a clear link between executive pay and the Group's key strategic objectives. Consideration is given to pay and employment policies elsewhere in the Group, especially when determining annual salary increases by reference to prevailing local market pay rates and overall packages offered.

The main activities of the Committee since the last report were: setting the remuneration for I Manocha in relation to his appointment as Chief Executive; assessing performance of Executive Directors for the year reported and setting targets for the following financial period; approving proposed bonus and share awards in the period; reviewing the revised remuneration reporting regulations; and preparing the Directors' Remuneration Report. The committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for Executive Directors and other Senior Executives. The Chief Executive provides advice in relation to the remuneration of other Senior Executives.

The committee made remuneration decisions in 2015 in connection with I Manocha's appointment as Chief Executive. In line with the Group's remuneration policy for Executive Directors, I Manocha's remuneration is structured such that a significant proportion of his total remuneration is based on performance and dependent upon the achievement of Group targets, which maintains a clear link between executive pay and the Group's key strategic objectives. In addition, the committee reviewed R Grubb's base salary in accordance with the Directors' remuneration policy and determined C Errington's Non-Executive Director fee effective upon the CEO succession on 1 June 2015.

Executive Directors' pay continues to be directly aligned to the interests of shareholders including the award of share options with a value proportionate to investor value as expressed through the publicly traded share price, in addition to performance-related bonus based on Group financial performance.

Other than the share option grant to I Manocha upon his appointment, there were no share option awards during the year.

Remuneration disclosure

This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (September 2014) and the Listing Rules.

The report is in two sections:

- the Directors' remuneration policy (beginning page 27). This section contains details of the remuneration policy that was approved by shareholders at the 2014 AGM. As the Directors are not proposing any changes to this policy it is not required to be put to a further shareholder vote until 2017; and
- the Directors' Remuneration Report. This section sets out details of how our remuneration policy was implemented for the year ended 31 December 2015 and how the Company intends for the policy to apply for the year ended 31 December 2016. The Directors' Remuneration Report will be put to an advisory shareholder vote at the AGM in April 2016.

Directors' remuneration policy

Remuneration policy table

The table below sets out the remuneration policy that was approved by shareholders at the 2014 AGM. As the Directors are not proposing any changes to this policy it is not required to be put to a further shareholder vote until 2017.

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

Remuneration report continued

Directors' remuneration policy continued

Remuneration policy table continued

Element of remuneration	How this supports our strategy	How this is operated	Maximum that may be paid	Framework used to assess performance
Base salary	Supports the recruitment and retention of Executive Directors of the calibre required to deliver the Group's strategy. Benefits principally comprise private healthcare and death in service insurance.	Reviewed annually with any increases applying from 1 April in line with most employees in the Group.	Increases may be made to take account of changes in an individual's responsibilities, in the case of increased performance from development in a role, or to bring in line with market levels as appropriate.	In determining appropriate base salary, consideration is given to pay increases for other employees in the Group, comparable pay for similar roles at other similar companies, and individual performance.
Pension		Contributions are made by the Company to a defined contributions scheme, matching the Directors' own contributions.	Employer contributions up to a maximum of 5% of base salary, in line with other employees in the Group.	None.
Benefits		Executive Directors are eligible to the same benefits as all Group staff in the geography they operate in.	Not applicable as premiums are paid by the Company to an external broker to arrange cover, which is in line with other employees in the Group.	None.
Annual bonus	Rewards and incentivises the Directors through the achievement of the strategic plan as measured by KPIs.	Where the committee decide to operate an annual bonus, it will establish the objectives which must be met if a cash bonus is to be paid.	Up to 100% of basic salary dependent on the achievement of performance targets (including profitability) set at the beginning of the year; however, the Committee retains discretion to make higher awards in truly exceptional circumstances as a result of very significant level of Group performance (including profitability).	Increased shareholder value through achievement of the strategic plan.
Share option plan	Directly aligns Director (Executive and Non-Executive) and Senior Executive financial incentives with returns to shareholders. Financial reward is created through the creation of shareholder value.	The committee makes one-off share option grants at a point in time and considers enhancing these annually. Where the committee determines it is appropriate, grants may include specific performance targets aligned to the strategic plan as vesting conditions.	Options are granted at an exercise price of not less than 110% of the mid-market price of ordinary shares on the day prior to the date of grant.	Satisfaction of vesting conditions.
Chairman and Non-Executive Director fees	Supports the recruitment and retention of the individuals of the calibre required to bring adequate scrutiny to the Group's strategy.	The level of Non-Executive Directors' remuneration is determined by the Executive Directors after considering the fee levels in comparable businesses.	A basic fee is set for normal duties and supplementary fees are paid for any additional duties at fixed day rates.	Non-Executive Directors are not eligible for pensions, incentives or any similar payments other than normal out of pocket expenses incurred on behalf of the business. Compensation for loss of office is not payable to Non-Executive Directors.

Remuneration scenarios

Executive pay under the above policy is wholly contractually based and represents 100% of maximum remuneration with the exception of any discretionary performance-related bonus awarded in line with the policy outlined above.

The graphs opposite compare all elements of Executive Director pay in respect of 2015, and proposed for 2016, incorporating the following scenarios:

- the minimum remuneration receivable ("minimum");
- the remuneration receivable if the Director performs in line with the Company's expectation ("expected"); and
- the maximum remuneration ordinarily receivable ("maximum"), inclusive of an annual bonus of up to 100% of salary. Note the remuneration policy allows the committee discretion to make higher performance-related bonus awards in truly exceptional circumstances, as a result of very significant level of Group performance.

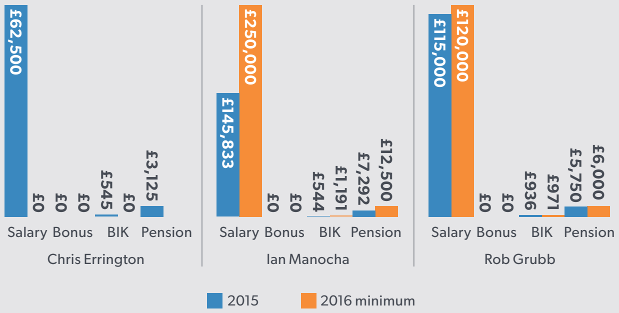
Directors' remuneration policy continued

Remuneration scenarios continued

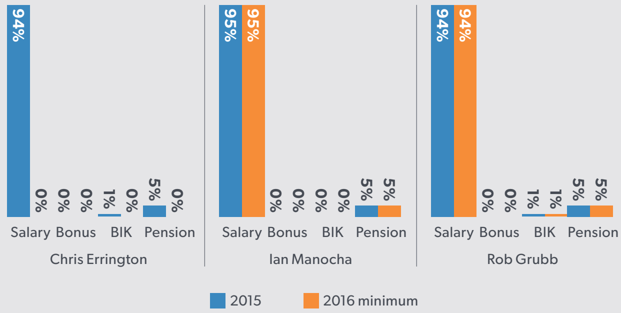
For each scenario, the first graph illustrates these amounts in Pounds Sterling, and the second graph shows the proportion each element is of total pay for the individuals shown expressed as a percentage. On each graph, "BIK" means benefits in kind.

Owing to the CEO succession which took effect on 1 June 2015, the figures on the graphs for 2015 for C Errington relate to the five month period commencing 1 January 2015, and the figures for 2015 for I Manocha relate to the seven month period commencing 1 June 2015.

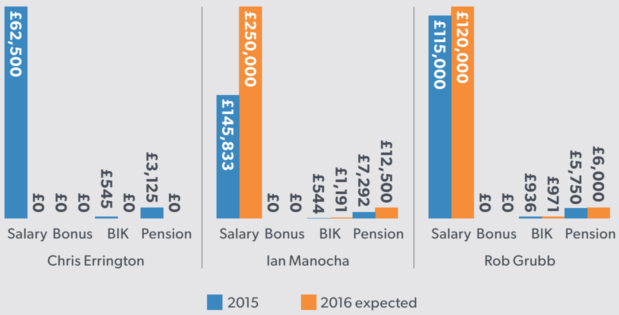
Executive Director pay 2015 and proposed 2016
(minimum)



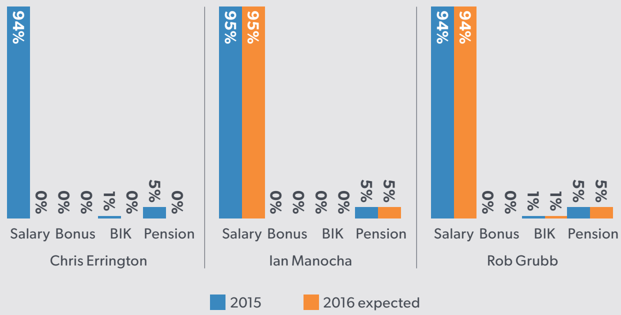
Executive Director pay 2015 and proposed 2016
(minimum)



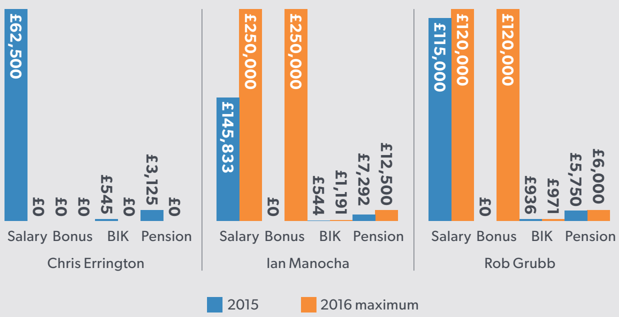
Executive Director pay 2015 and proposed 2016
(expected)



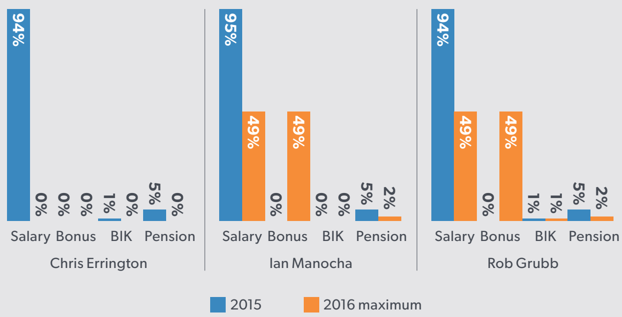
Executive Director pay 2015 and proposed 2016
(expected)



Executive Director pay 2015 and proposed 2016
(maximum)



Executive Director pay 2015 and proposed 2016
(maximum)



Remuneration report continued

Remuneration policy considerations

Recruitment

The Company's nomination committee is responsible for leading the process for Board appointments and making recommendations to the Board. Prior to the formation of the nomination committee in March 2016, these responsibilities were undertaken by the Board as a whole.

Appointments to the Board are made on merit and against objective criteria. Care is taken to ensure that appointees have enough time to devote to the job, especially in the case of chairmanships. The nomination committee keeps under review, and takes appropriate action, to ensure orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Group and on the Board.

Loss of office payments

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

Wider staff employment conditions

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

Consultation with shareholders

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

Consultation with employees

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

Service contracts and letters of appointment

It is the Company's policy to offer Directors service contracts terminable with a maximum of twelve months' rolling notice from either side. None of the Non-Executive Directors have a service contract. Letters of appointment provide for an indefinite period, terminable by three months' notice from either party.

Policy on Director shareholding

The Company has no policy on Director shareholding.

Directors' Remuneration report

Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for Directors for the financial years ended 31 December 2015 and 2014:

	Basic salary and fees £	Benefits in kind £	Performance-related bonus £	Pension £	Share-based payment £	**Total 2015 £**	Total 2014 £
Executive Directors							
C Errington(1)	62,500	545	—	3,125	—	**66,170**	158,834
I Manocha(2)	145,833	544	—	7,292	35,889	**189,558**	—
R Grubb	115,000	936	—	5,750	—	**121,686**	105,927
Non-Executive Directors							
M Royde	30,000	—	—	—	—	**30,000**	30,000
K Archer	82,250	—	—	—	—	**82,250**	96,750
H Purdey(3)	2,077	—	—	—	—	**2,077**	15,952
C Errington(1)	17,500	—	—	—	—	**17,500**	—
	455,160	2,025	—	16,167	35,889	**509,241**	407,463

(1) CEO appointment ceased and became a Non-Executive Director 1 June 2015

(2) Appointed CEO 1 June 2015

(3) Appointed 19 June 2014, resigned 27 January 2015

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

During the years ended 31 December 2015 and 2014 the committee did not award any performance-related bonuses in respect of Directors.

During 2015, 1,500,000 share options were granted to I Manocha upon his appointment as CEO. These share options are granted under the share options schemes adopted in 2010 and are subject to a minimum three year vesting period and performance conditions. No share options were granted to any other Directors during the year. All details in respect of existing Director share options grants that have fully vested during the year are included within the tables opposite.

Interests in options (audited information)

The Group operates share option schemes (the "Option Schemes 2010"), under which Directors and other Senior Executives are able to subscribe for ordinary shares in the Company. There are no other share option schemes in operation. Further details concerning the Option Schemes 2010, including vesting conditions, can be found in note 22 to the Group financial statements on page 73.

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

	Options at 1 January 2015	Granted	Cancelled	Exercised	**Options at 31 December 2015**	Date of grant	Exercise price	Date first exercisable	Expiry date
I Manocha(1)	—	1,500,000	—	—	**1,500,000**	01.06.15	111p	01.06.18	01.06.25
K Archer(1)	700,000	—	—	—	**700,000**	31.12.10	28p	31.12.13	31.12.20
M Royde(2)	500,000	—	—	—	**500,000**	31.12.10	28p	31.12.13	31.12.20

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

(2) Awards granted to Kestrel Partners LLP, of which M Royde is a partner

The closing market price of the Company's shares on 31 December 2015 was 107 pence. During the year, the closing price per ordinary share ranged from 80 pence to 116.5 pence.

There were no exercises of Director share options in the year ended 31 December 2015. In 2014:

- C Errington, Chief Executive of the Company until 1 June 2015 and Non-Executive Director since that date, exercised options over 1,750,000 ordinary shares at an exercise price of 28.05 pence per ordinary share on 25 March 2014, giving rise to an unrealised gain of £1,749,125 based on the market price on the day of exercise of 128 pence. The Company was also notified that on 25 March 2014 C Errington subsequently sold 970,000 ordinary shares at a price of 128 pence per ordinary share to cover the exercise price due to the Company and certain tax liabilities which fall due as a result of the exercise of options. Following these transactions, C Errington had a beneficial interest in 782,268 ordinary shares, and the Company was notified on 1 June 2015 that C Errington disposed of a further 250,000 ordinary shares leaving a residual holding of 532,268 ordinary shares, representing approximately 0.84% of the current issued share capital of the Company.
- R Grubb, Chief Financial Officer of the Company, exercised options over 300,000 ordinary shares at an exercise price of 28.05 pence per ordinary share on 25 March 2014, giving rise to an unrealised gain of £299,850 based on the market price on the day of exercise of 128 pence. The Company was also notified that on 25 March 2014 R Grubb subsequently sold 75,000 ordinary shares at a price of 128 pence per ordinary share to cover the exercise price due to the Company and certain tax liabilities which fall due as a result of the exercise of options. Following these transactions, R Grubb has and retains a beneficial interest in 231,405 ordinary shares, representing approximately 0.37% of the current issued share capital of the Company.

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

Service contracts

I Manocha has a service agreement dated 15 February 2015 which is terminable by twelve months' rolling notice from either side. R Grubb has a service agreement dated 18 May 2011, which is terminable by six months' rolling notice from either side.

K Archer has a letter of appointment dated 9 June 2012 which is terminable by three months' notice from either party.

The services of M Royde are provided and invoiced by Kestrel Partners LLP (a company in which he has an ownership interest) under a consultancy agreement dated 19 November 2009 which is terminable by three months' notice from either party.

C Errington's service agreement dated 11 January 2005 was terminated by mutual consent without compensation for loss of office or otherwise upon him ceasing to be CEO and becoming a Non-Executive Director on 1 June 2015. He has a letter of appointment dated 19 May 2015 which is terminable by three months' notice from either party.

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

The link between pay and performance

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

In addition and where applicable, the remuneration committee retains the discretion to pay performance-related bonus within the parameters set out in the remuneration policy.

Payments for loss of office (audited information)

No payments for loss of office were made during the year ended 31 December 2015 (2014: £nil).

Percentage change in the remuneration of the CEO

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

	Change in base salary	Bonus payment as % of base salary
CEO 1 January–31 May (C Errington)	0%	0%
CEO 1 June–31 December (I Manocha)	0%	0%
All staff	2%	0%

Remuneration report continued

Directors' Remuneration report continued

Percentage change in the remuneration of the CEO continued

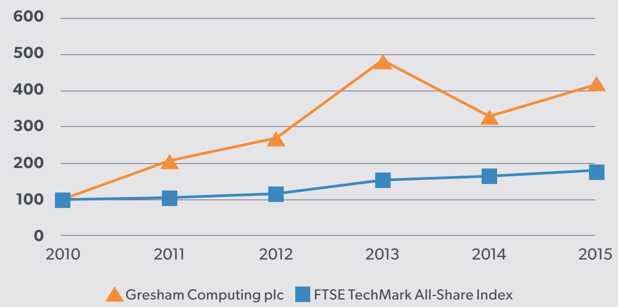
Neither C Errington nor I Manocha received an increase in base salary during their respective tenures as CEO during the year. However there was a step increase in CEO base salary effective 1 June 2015 as a result of the recruitment and appointment of I Manocha as CEO.

Performance graphs

Total shareholder return

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

Total shareholder return (£)

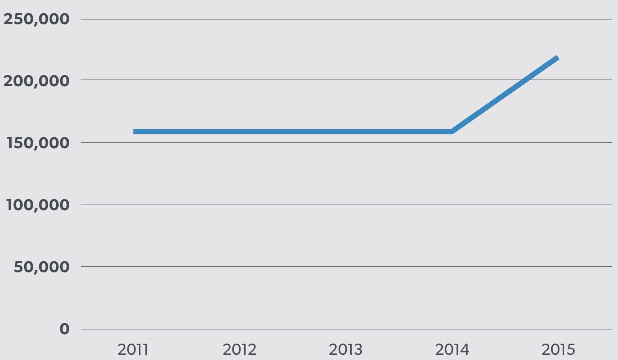


This graph shows the value, by the end of 2015 of £100 investment in Gresham Computing plc on 31 December 2010 compared with the value of £100 invested in the FTSE TechMark All-Share Index. The other points are values at intervening financial ends.

Change in CEO pay

I Manocha's recruitment and appointment as CEO effective 1 June 2015 has resulted in a step increase in total CEO pay in 2015, although neither I Manocha nor C Errington received pay increases during their respective tenures in 2015. The graph below shows the single total figure of remuneration for the role of CEO for the current and previous four years.

Total Chief Executive Officer pay (£)

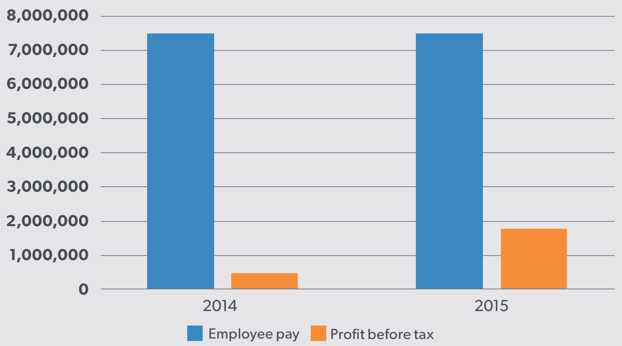


There were no performance-related bonuses paid or payable to the CEO in respect of 2015 or 2014.

Relative importance of spend on pay

The chart below shows the total employee pay cost (excluding capitalisation entries) compared to profit before tax (for continuing operations and before exceptional items) for the years ended 31 December 2015 and 2014.

Total employee pay compared to profit before tax (£)



Statement of remuneration policy in the following year

There are no significant changes in the way the remuneration policy will be implemented in the current year compared to how it was implemented for the reported year.

Consideration of matters relating to Directors' remuneration

The remuneration committee comprised M Royde (chairman) and K Archer. The remuneration committee does not comprise only independent Non-Executive Directors, as required by provision D2.1 of the Code. The committee is responsible for setting remuneration for all Executive Directors and the Chairman appointed by the Company, including pension rights and provision for compensation payments. The committee also recommends and monitors the level and structure of remuneration for senior management. The remuneration of Non-Executive Directors is a matter for the executive members of the Board, within limits set in the Articles of Association. The remuneration committee consults with the Chief Executive Officer concerning the remuneration of other Executive Directors. Where appropriate, the committee seeks independent advice from remuneration consultants and also consults with the remainder of the Board. In the year, the remuneration committee considered and made decisions regarding I Manocha's remuneration as part of the recruitment and appointment process for CEO succession, a review of base salary for R Grubb, and C Errington's Non-Executive Director fee.

External advisers

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

Max Royde
Chairman of the Remuneration Committee
7 March 2016

Directors' report

Registered number 1072032

The Directors present their report and the Group financial statements for the year ended 31 December 2015.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Chairman's Statement, CEO's Statement and Strategic Report. Disclosures in respect of principal risks and uncertainties, people (including employees and disabled employees) and product development (incorporating research and development activities) are included within the Strategic Report. In addition, note 20 to the financial statements includes the Group's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The statement of corporate governance beginning on page 22 forms part of the Directors' Report.

Directors and officers

The Directors who served on the Board during the year are set out on pages 20 and 21, all of whom served throughout the year with the exception of I Manocha who was appointed on 1 June 2015. In addition, H Purdey was a Director of the Company until his resignation on 27 January 2015. J Cathie served as Company Secretary throughout the year.

Results and dividends

The Group profit for the year, after taxation, amounted to £1,950,000 (2014: £1,950,000). The Directors do not recommend a final ordinary dividend, which leaves the profit of £1,950,000 to be added to reserves. No dividends are recommended and none were paid in the prior year.

Going concern and viability statement

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

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Refer to pages 13 for the viability statement required pursuant to Provision C2.2 of the Code.

Post balance sheet events

There were no post balance sheet events.

Significant relationships

The Group has two customer relationships which are considered to be individually significant to the Group. One relates to EMEA operations and derives from the Group's cash management solution comprising Gresham integration technology and CashFac's Virtual Bank Technology®. The other relates to APAC operations and includes a mix of revenues from the Group's cash management solution, from CTC, and from other strategic non-recurring revenues. Revenues from these customer relationships individually exceeded 10% of the Group's revenue in 2015. In the opinion of the Directors, the Group does not have any other individually significant relationships.

People

People are key to Gresham's expertise and ability to deliver on a global basis. Retaining people and allowing them to fulfil their potential is important. Loss of key people could slow our ability to grow the business and we seek to provide rewards and job fulfilment that mitigate this risk. We continue to invest in an apprenticeship and graduate intake scheme which has proven successful in bringing new ideas and skills into the business.

Each of the Group's business units reviews strategies for retaining 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, administration of and matched contribution to a defined contribution pension scheme, consideration of family and personal needs, provision of training where required and, in some cases, share options and bonuses.

Performance-based rewards payable to employees in the form of share options and bonuses are aligned to achievement of strategic objectives, measured by Group KPIs, and relevant to their role.

Employees are invited to attend regular meetings within individual segments throughout the Group, in addition to regular Group-wide communications. Performance appraisals are made annually or more frequently if required, to ensure that employees are getting sufficient support from the Group (including training needs) in order to satisfactorily complete their job requirements.

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Gender diversity

The Group strives to enable equality of opportunity and workplace cultures that promote inclusion. At 31 December 2015 the Group had the following split of gender of staff:

	Female	Male	Total
Executive Directors	—	2	2
Senior managers	1	6	7
Staff	15	81	96
	16	**89**	**105**

Human rights

The Group supports the protection of human rights around the world and is guided by fundamental principles such as those in the United Nations Universal Declaration of Human Rights and the International Labour Organisation Core Conventions. This support is reflected in our policies and actions in the countries in which we do business.

The vast majority of our supply chain exists in the countries we operate (staff costs or partner shares mainly) and are well known and managed directly by us. Where we do utilise suppliers in less known markets, we will not knowingly work with any supplier that does not share our value of human rights and in particular protection of employee rights.

Directors' report continued

Registered number 1072032

Environmental considerations

The Directors consider that, because of the nature of its activities, the Group does not have a significant impact on the environment in which it operates. However, the Group recognises the importance of environmental responsibility and seeks, wherever possible, to reduce its environmental impact through focus on areas that it can control such as energy saving, recycling and appropriate disposal of old computer equipment and mobile phones.

Carbon emissions

Greenhouse gas emissions

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

Reporting year

Our reporting year is the same as our fiscal year, being the year ended 31 December 2015. This greenhouse gas reporting year has been established to align with our financial reporting year.

Organisation boundary and responsibility

We report our emissions data using an operational control approach to define our organisational boundary, which meets the definitional requirements of the Regulations in respect of those emissions for which we are responsible. We have reported on all material emission sources which we deem ourselves to be responsible for. These sources align with our operational control and financial control boundaries. We do not have responsibility for any emission sources that are beyond the boundary of our operational control. For example, business travel other than by car (including, for example, commercial flights or railways) and fully managed offices are not within our operational control and, therefore, are not considered to be our responsibility.

Methodology

The methodology used to calculate our emissions is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" (June 2013) issued by the Department for Environment, Food and Rural Affairs ("Defra"). We have also utilised Defra's 2015 conversion factors within our reporting methodology.

Global greenhouse gas emissions data

For the year ended 31 December 2015:

Emissions from	**31 December 2015**	31 December 2014
Electricity, heat, steam and cooling purchased for own use – tonnes of CO_2e	**100**	87
Group's chosen intensity measurement		
Emissions reported above normalised to tonnes of CO_2e per total £P1,000,000 revenue	**6.8**	6.8

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

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

Directors and their interests

The Directors at 31 December 2015 and their connected persons' interests in the share capital of the Company (all beneficially held, other than with respect to options to acquire ordinary shares which are detailed in the analysis of options included in the Directors' Remuneration Report) are as follows:

	Ordinary shares of 5 pence each	
	31 December 2015	1 January 2015
K Archer	**150,000**	150,000
M Royde	**42,472**	42,472
M Royde – Kestrel Opportunities[2]	**6,847,664**	5,767,164
C Errington	**532,268**	782,268
I Manocha[1]	**—**	—
R Grubb	**231,405**	231,405

(1) Appointed 1 June 2015

(2) M Royde's beneficial interest in the share capital of the Company includes shares held directly by Kestrel Opportunities, a cell of Guernsey Portfolios PCC Limited. Kestrel Partners LLP, which M Royde is a partner of and holds a beneficial interest in, is the investment manager to Kestrel Opportunities. Kestrel Opportunities' shareholding is disclosed under major interests (i.e. those >3%) on page 35.

There have been no further changes in the Directors' interests disclosed above from 31 December 2015 to 29 February 2016.

Directors' liabilities

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

Major interests in shares

The Company has been notified, either directly or in response to a section 793 request made on its behalf, of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 29 February 2016:

	Number	Percentage held
Schroder Investment Management	8,890,000	14.05%
JO Hambro Capital Management	6,885,000	10.88%
Kestrel Opportunities	6,847,664	10.82%
Majedie Asset Management	4,927,967	7.79%
Herald Investment Management	4,868,774	7.70%
Hargreave Hale, stockbrokers	3,505,000	5.54%
Mrs MA Green	3,073,290	4.86%
Investec Wealth & Investment	3,058,230	4.83%
Blevins Franks Trustees Limited as Trustee of the Lusitania Trust	2,178,091	3.44%
Mr Stephen William Purchase	2,001,678	3.16%
Artemis Investment Management	2,000,000	3.16%

Political donations

No donations were made in 2015 or 2014.

Social and community

No social or community review has been performed for 2015 or 2014.

Special business at the Annual General Meeting

The special business to be conducted at the AGM covers the Directors' authority to allot shares and the partial disapplication of pre-emption rights. Resolutions will be proposed to renew the authorities given to the Directors to allot and grant rights over the unissued share capital up to a maximum nominal amount of £1,054,516 representing one-third of the issued ordinary share capital as at 7 March 2016 and to allot and grant rights over shares for cash up to a maximum nominal amount of £158,177, representing 5% of the issued ordinary share capital as at 7 March 2016, without first making a pro rata offer to all existing shareholders.

Further special business to be conducted at the AGM relates to the renewal of the authority of the Company to make market purchases of its own ordinary shares, and the authority to call meetings (other than Annual General Meetings) on not less than 14 clear days' notice. Resolutions will be proposed in this regard. In relation to the purchase of own shares, the Company's authority will be limited to 6,327,098 ordinary shares which represents 10% of the issued ordinary shares capital of the Company as at 7 March 2016.

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

Additional information for shareholders

At 31 December 2015, the Company's issued share capital comprised:

	Number	Nominal value £	% of total share capital
Ordinary shares of £0.05 each	63,270,978	3,163,549	100%

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

During the year ended 31 December 2015, certain share options granted under the Option Scheme 2010 were exercised and as a result the Group issued 37,500 ordinary shares, such shares ranking pari passu with ordinary shares then in issue (2014: 2,697,500). See note 22 of the Group financial statements on page 73 for further details.

Ordinary shares

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

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

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

Significant interests

Directors' interests in the share capital of the Company are shown in the table on page 34. Major interests (i.e. those >3%) of which the Company has been notified are shown on page 35.

Change of control

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

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

Directors' report continued

Registered number 1072032

Power of Directors to issue or buy back shares

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

Information to be included in the Annual Report and Accounts

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

LR 9.8.4 R	Topic	Location in Annual Report
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Not applicable
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Page 33
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

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

Auditor

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

Directors' statement as to disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 20 and 21. Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

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

On behalf of the Board

Jonathan Cathie
Company Secretary
7 March 2016

Statement of Directors' responsibilities

Directors' responsibilities

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

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

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

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

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

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

Website publication

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

Directors' responsibilities pursuant to DTR 4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with "IFRSs" adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report 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 or the principal risks and uncertainties that they face.

Financial Statements

Independent auditor's report

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements of Gresham Computing PLC for the year ended 31 December 2015 comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cashflows, the Company balance sheet, the Company statement of changes in equity and the related notes.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Our application of materiality and an overview of the scope of our audit

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

We determined planning materiality for the financial statements as a whole to be £144,000. In determining this, we based our assessment on a level of 1% of anticipated consolidated revenue which we believe is a key benchmark used by the Group in assessing financial performance. On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 75% of planning materiality, namely £108,000. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our planning materiality of £144,000 for the financial statements as a whole. Materiality levels used for each key component ranged from £42,000 to £108,000. We agreed with the audit committee that we would report to the committee all audit differences in excess of £3,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The Group audit team, based in the UK, performed the audits of the key reporting components in the UK and North America. The audits of the Asia Pacific region were performed by component auditors, based in Australia. Detailed instructions were issued and discussed with the component auditors, and these covered the significant risks (including the Group risks of material misstatement described below) that should be addressed by the audit team. The group audit team was actively involved in directing the audit strategy of the Asia Pacific audit, reviewed in detail the findings and considered the impact of these upon the Group audit opinion.

Independent auditor's report continued

Our assessment of risks of material misstatement

We identified the following risks that we believe to have had the greatest impact on our audit strategy and scope:

- Development costs – as detailed in the accounting policies, development costs are recognised as an intangible asset if specific criteria have been met. Upon completion of development, the costs are amortised to the income statement over a period ranging from six to 20 years. Both the initial conclusion of whether development costs have met the criteria for capitalisation including estimates of the technical and commercial viability of the asset created, and the period of amortisation to the income statement require management judgement and therefore have an inherent risk of management override.

  We reviewed the Group's accounting policy in this area to ensure that it was in accordance with International Accounting Standard 38. We agreed a sample of capitalised costs to underlying supporting documentation and checked that the five criteria for capitalisation, as required by the standard, had been met. This included discussing the technical feasibility of projects with the development team, as well as reviewing management's estimate of costs to complete projects and evidence of future economic benefits. Furthermore, we specifically reviewed costs capitalised as enhancements to software available for sale, ensured that the enhancements did not supersede existing development costs and determined whether such enhancements met each of the five criteria for capitalisation under the standard.

  In respect of enhancements released to the market during the year, we inspected evidence of when the development projects were first available for sale by reference to communication with customers and prospective customers, board minutes and market announcements. We performed our own calculation of amortisation charges based on these dates and compared this with management's own calculations. We challenged the amortisation rates used by management against external benchmarking reports of companies operating in the sector, together with internal benchmarking based on legacy software.

- Goodwill and intangible asset impairment risk – as detailed in the accounting policies, goodwill and capitalised development costs during development are tested for impairment at least annually. Furthermore, once available for use, capitalised development costs are tested for impairment where an indicator of impairment arises. Management's review found no evidence of impairment in the Clareti or other cash-generating units. This risk is considered significant due to the level of judgement involved and the opportunity for management bias within the impairment model assumptions.

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

- Revenue and profit recognition – as detailed in the accounting policies, the Group earns revenue from sale of software licenses, rendering of services, subscriptions and maintenance and solution sales. Management exercise judgement in their assessment of the ultimate profitability of contracts, and in particular the stage of completion which is a key driver for the recognition of both revenue and profit. The estimation of the stage of completion, along with the unbundling of multi-element solution sales, represents the risk of revenue recognition.

  We reviewed in detail the revenue recognition principles applied to the significant new contracts written and performed during the year and ensured that the revenue recognition policies were in accordance with International Financial Reporting Standards as adopted by the European Union and industry standard. We inspected particularly solution sales and assessed the appropriateness of unbundling revenue into separate components along with the fair value of the consideration attributed to each component. We agreed a sample of sales and related costs of sales to supporting contracts and other documentation, including user acceptance evidence and statements of works.

The audit committee's consideration of these judgements is set out on page 25.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Statement regarding the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 33 and 13, in relation to going concern, long-term viability, assessment of risk and the principal risks themselves; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Kim Hayward (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom
7 March 2016

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

Consolidated income statement

		31 December 2015			31 December 2014
		Before exceptional items £'000	Exceptional items £'000	Total £'000	Total £'000
Revenue	3,4	14,842	—	14,842	12,832
Cost of sales		(2,822)	—	(2,822)	(3,409)
Gross profit		12,020	—	12,020	9,423
Administrative expenses		(10,310)	(149)	(10,459)	(8,991)
Operating profit/(loss)	5	1,710	(149)	1,561	432
Finance revenue	3,8	21	—	21	36
Finance costs	8	—	—	—	(12)
Profit/(loss) before taxation		1,731	(149)	1,582	456
Taxation	9	368	—	368	639
Attributable to owners of the parent	23	2,099	(149)	1,950	1,095
Earnings per share					
Basic earnings per share – pence	10	3.32	(0.24)	3.08	1.77
Diluted earnings per share – pence	10	3.21	(0.23)	2.98	1.62

All activities during the year were continuing.

Consolidated statement of comprehensive income

	31 December 2015 £'000	31 December 2014 £'000
Attributable profit for the year	**1,950**	1,095
Other comprehensive expense		
Items that will or may be reclassified into profit or loss – exchange differences	**(27)**	(55)
	(27)	(55)
Total comprehensive income for the year	**1,923**	1,040

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a credit of £5,000 (2014: credit of £11,000).

Consolidated statement of financial position

	Notes	31 December 2015 £'000	31 December 2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**499**	617
Intangible assets	13	**10,648**	8,313
Deferred tax assets	9	**239**	547
		11,386	9,477
Current assets			
Trade and other receivables	16	**3,472**	3,303
Income tax receivable	16	**892**	1,224
Cash and cash equivalents	17	**4,666**	4,707
		9,030	9,234
Total assets		**20,416**	18,711
Equity and liabilities			
Equity attributable to owners of the parent			
Called up equity share capital	21	**3,164**	3,162
Share premium account	23	**9**	16,522
Other reserves	23	**313**	313
Foreign currency translation reserve	23	**(65)**	(38)
Retained earnings	23	**11,513**	(7,069)
Total equity attributable to owners of the parent	23	**14,934**	12,890
Non-current liabilities			
Deferred income	18	**53**	82
Provisions	18	**24**	28
		77	110
Current liabilities			
Trade and other payables	18	**5,294**	5,645
Financial liabilities	18	**3**	—
Income tax payable	18	**89**	58
Provisions	18	**19**	8
		5,405	5,711
Total liabilities		**5,482**	5,821
Total equity and liabilities		**20,416**	18,711

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2016.

On behalf of the Board

Ian Manocha
Chief Executive
7 March 2016

Rob Grubb
Chief Financial Officer
7 March 2016

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation £'000	Retained earnings £'000	Total £'000
At 1 January 2014	3,027	15,906	313	17	(8,214)	11,049
Attributable profit for the period	—	—	—	—	1,095	1,095
Other comprehensive expense	—	—	—	(55)	—	(55)
Total comprehensive income	—	—	—	(55)	1,095	1,040
Exercise of share options	135	616	—	—	—	751
Share-based payment expense	—	—	—	—	50	50
At 31 December 2014	3,162	16,522	313	(38)	(7,069)	12,890
Attributable profit for the period	—	—	—	—	1,950	1,950
Other comprehensive expense	—	—	—	(27)	—	(27)
Total comprehensive income	—	—	—	(27)	1,950	1,923
Share premium cancellation	—	(16,522)	—	—	16,522	—
Exercise of share options	2	9	—	—	—	11
Share-based payment expense	—	—	—	—	110	110
At 31 December 2015	**3,164**	**9**	**313**	**(65)**	**11,513**	**14,934**

Consolidated statement of cashflow

	Notes	31 December 2015 £'000	31 December 2014 £'000
Cashflows from operating activities			
Profit before taxation		**1,582**	456
Depreciation, amortisation and impairment	5	**976**	692
Share-based payment expense	22	**110**	50
(Increase)/decrease in trade and other receivables		**(217)**	1,559
(Decrease)/increase in trade and other payables		**(277)**	291
Movement in provisions	18	**7**	15
Loss on disposal of property, plant and equipment		**—**	6
Net finance expense	8	**(21)**	(24)
Cash inflow from operations		**2,160**	3,045
Net income taxes received		**1,035**	15
Net cash inflow from operating activities		**3,195**	3,060
Cashflows from investing activities			
Interest received	8	**21**	36
Other bank charges		**—**	(12)
Purchase of property, plant and equipment	12	**(217)**	(244)
Payments to acquire intangible fixed assets	13	**(3,014)**	(3,238)
Net cash used in investing activities		**(3,210)**	(3,458)
Cashflows from financing activities			
Share issue	21	**11**	751
Net cash generated from financing activities		**11**	751
Net (decrease)/increase in cash and cash equivalents		**(4)**	353
Cash and cash equivalents at beginning of year		**4,707**	4,386
Exchange adjustments		**(37)**	(32)
Cash and cash equivalents at end of year	17	**4,666**	4,707

Notes to the financial statements

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

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

The financial statements of Gresham Computing plc and its subsidiaries (the "Group") for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 7 March 2016 and the Consolidated Statement of Financial Position was signed on the Board's behalf by I Manocha and R Grubb.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2015.

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

2. Accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2015 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

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

No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006. For the year ended 31 December 2015, the Company recorded a loss of £212,000 (2014: loss of £943,000).

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

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and assumptions

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

Capitalised development costs

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

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

Impairment reviews

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

The intangible asset impairment reviews are disclosed in note 14.

Revenue and profit recognition

Fixed price contracts are accounted for in accordance with IAS 11 Construction Contracts. Revenue and profits are recognised on a percentage-of-completion basis, as costs incurred relate to total costs for the contract, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably requires management to exercise judgement, whilst calculation of the contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

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

Useful economic life of capitalised development costs

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

Notes to the financial statements continued

2. Accounting policies continued

Basis of consolidation

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

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, at which point they are deconsolidated. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights, or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying an approximation of the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement, except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

Goodwill

Business combinations on or after 1 January 2004 have been accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Consolidated Statement of Financial Position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Goodwill recognised as an asset as at 31 December 2003 is recorded at its carrying amount under UK GAAP and is not amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

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

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

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

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

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

2. Accounting policies continued

Research and development costs

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

Capitalised product development expenditure is stated at cost less accumulated amortisation and impairment losses. Product development costs that have been capitalised are amortised from the time the product or related enhancement becomes available for use as part of a version release issued to customers on a straight-line basis over six to 20 years depending on the useful economic life of the asset assessed. During the period of development, the asset is tested for impairment annually.

Property, plant and equipment

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

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

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

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

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

Leases

Group as a lessee

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

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

Group as a lessor

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

Impairment of assets

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

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

Notes to the financial statements continued

2. Accounting policies continued

Provisions

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

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

Financial assets

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

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

Loans and receivables

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

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale by the Directors, taking into account the stage of any marketing or sales activity to promote an end sale. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised within the Statement of Comprehensive Income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Impairment of financial assets

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

Assets carried at amortised cost

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

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

Trade and other receivables

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

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

2. Accounting policies continued

Amounts recoverable on contracts

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

Cash and cash equivalents

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

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

Income taxes

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

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

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

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

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

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

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

Derecognition of financial assets and liabilities

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

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

Derivative financial instruments and hedging

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

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

Pensions

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Notes to the financial statements continued

2. Accounting policies continued

Revenue recognition

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

Software licences

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

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

Rendering of services

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

Subscriptions and maintenance

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

Solution sales

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

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

Interest income

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

Rental income

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

Pre-contract costs/bid costs

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

Share-based payments

Equity-settled transactions

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

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

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

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

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

2. Accounting policies continued

Share-based payments continued

Equity-settled transactions continued

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

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

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

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

Exceptional items

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

Changes in accounting policy

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

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

Standard or interpretation	Title	Effective from
IFRS 2	Amendments for Annual Improvements to IFRSs 2010–2012 Cycle (definition of vesting condition)	1 July 2014
IFRS 3	Amendments for Annual Improvements to IFRSs 2010–2012 Cycle (contingent consideration)	1 July 2014
IFRS 3	Amendments for Annual Improvements to IFRSs 2011–2013 Cycle (scope exception for joint ventures)	1 July 2014
IFRS 7	Financial Instruments: Disclosures: Annual Improvements 2012–2014 Cycle	1 January 2015
IFRS 8	Amendments resulting from Annual Improvements 2010–2012 Cycle (aggregation of segments, reconciliation of segment assets)	1 July 2014
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	1 January 2018
IFRS 13	Amendments resulting from Annual Improvements 2011–2013 Cycle (scope of the portfolio exception in paragraph 52)	1 July 2014
IAS 16	Amendments resulting from Annual Improvements 2010–2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	1 July 2014
IAS 24	Amendments resulting from Annual Improvements 2010–2012 Cycle (management entities)	1 July 2014
IAS 38	Amendments resulting from Annual Improvements 2010–2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	1 July 2014

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

Notes to the financial statements continued

2. Accounting policies continued

Changes in accounting policy continued

New standards and interpretations not applied

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

Standard or interpretation	Title	Effective from
IFRS 5	Amendments resulting from September 2014 Annual Improvements to IFRSs	1 January 2016
IFRS 7	Financial Instruments: Disclosures: Annual Improvements 2012–2014 Cycle	1 January 2015
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	1 January 2018
IFRS 15	Original issue, amended to defer effective date	1 January 2018
IFRS 16	Original issue	1 January 2019
IAS 1	Amendments resulting from the disclosure initiative	1 January 2016
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 27	Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	1 January 2016
IAS 34	Amendments resulting from the September 2014 Annual Improvements to IFRSs	1 January 2016
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

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

Revenue from continuing operations disclosed in the income statement is analysed as follows:

3. Revenue

	2015 £'000	2014 £'000
Rendering of services	**14,842**	12,832
Finance revenue	**21**	36
	14,863	12,868

4. Segment information

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

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

During the year ended 31 December 2015 the Group re-evaluated the internal presentation of its operating segments to more appropriately aggregate the differing sets of risks that the Group's businesses face.

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

- Clareti Solutions – supply of solutions predominantly to the finance and banking markets across Asia Pacific, EMEA and North America. These solutions include Clareti Transaction Control ("CTC") currently and for future periods will include other associated Clareti platform applications.
- Other Solutions – supply of a range of well established solutions to enterprise-level customers in a variety of end markets.

4. Segment information continued

The change has had the following impact on classification of operating segments:

Previous classification		Current classification
RTFS	CTC	Clareti Solutions
	Non-CTC RTFS	Other Solutions
Software		Other Solutions

"RTFS" refers to Real-Time Financial Solutions, and "EMEA" refers to Europe, the Middle East and Africa.

Disclosures in respect of the year ended 31 December 2014 have been updated accordingly.

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

Year ended 31 December 2015

	Clareti Solutions £'000	Other Solutions £'000	Adjustments, central and eliminations £'000	Consolidated £'000
Revenue				
External customer	5,270	9,572	—	14,842
Inter-segment	—	—	—	—
Total revenue	5,270	9,572	—	14,842
			—	—
Cost of sales	(172)	(2,650)	—	(2,822)
Gross profit	5,098	6,922	—	12,020
	97%	72%		81%
Administrative expenses	—	—	(10,310)	(10,310)
Operating profit/(loss)	5,098	6,922	(10,310)	1,710
Interest revenue				21
Interest expense				—
Profit before taxation before exceptional items				1,731
Exceptional items				(149)
Profit before taxation after exceptional items				1,582
Taxation				368
Profit after taxation				1,950
Segment assets				20,416
Segment liabilities				(5,482)

Notes to the financial statements continued

4. Segment information continued

Year ended 31 December 2014

	Clareti Solutions £'000	Other Solutions £'000	Adjustments, central and eliminations £'000	Consolidated £'000
Revenue				
External customer	3,470	9,362	—	12,832
Inter-segment	—	—	—	—
Total revenue	3,470	9,362	—	12,832
			—	—
Cost of sales	(459)	(2,950)	—	(3,409)
Gross profit	3,011	6,412	—	9,423
	87%	68%		73%
Administrative expenses	—	—	(8,991)	(8,991)
Operating profit/(loss)	3,011	6,412	(8,991)	432
Interest revenue				36
Interest expense				(12)
Profit before taxation before exceptional items				456
Exceptional items				—
Profit before taxation after exceptional items				456
Taxation				639
Profit after taxation				1,095
Segment assets				18,711
Segment liabilities				(5,821)

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

The Group has customer relationships with two banking customers which are both considered by the Directors to be individually significant relationships; revenue from these relationships both individually exceeded 10% of the Group's revenue. The revenues from these two customers fall predominantly within the Other Solutions segment.

Exceptional items

In H1 2015 the Group completed its planned CEO succession, which incurred a number of one-off costs from professional advisers involved throughout the process.

In H2 2015 the Group undertook a review of its marketing and operating activities and made changes that resulted in a number of one-off costs being incurred. These one-off costs totalled £149,000 and have been disclosed as exceptional items. There were no exceptional items for the year ended 31 December 2014.

Geographic information

	2015 £'000	2014 £'000
Revenues from external customers (by destination)		
EMEA	**8,362**	7,241
North America	**1,317**	786
Asia Pacific	**5,163**	4,805
	14,842	12,832

4. Segment information continued
Geographic information continued

	2015 £'000	2014 £'000
Non-current assets		
UK	10,538	8,612
North America	109	82
Asia Pacific	739	783
	11,386	9,477

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

EMEA includes revenue from external customers located primarily in the UK, Germany, Switzerland and Austria.

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

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

	2015 £'000	2014 £'000
Research and development costs written off	128	98
Amortisation of deferred development costs recognised in administrative expenses	531	329
Total research and development costs	659	427
Depreciation of property, plant and equipment	322	292
Amortisation of intangible assets (excluding development costs)	123	71
Total depreciation, impairment and amortisation expense	445	363
Net foreign currency differences – gains/(losses)	25	(108)
Operating lease payments		
Minimum lease payments	524	429
Sublease income	(129)	(23)
	395	406

Exceptional items
In H1 2015 the Group completed its planned CEO succession, which incurred a number of one-off costs from professional advisers involved throughout the process. In H2 2015 the Group undertook a review of its marketing and operating activities and made changes that resulted in a number of one-off costs being incurred. These one-off costs totalled £149,000 and have been disclosed as exceptional items. There were no exceptional items for the year ended 31 December 2014.

Notes to the financial statements continued

6. Auditor's remuneration

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

	2015 £'000	2014 £'000
Audit fees		
Audit of the Group financial statements	20	18
Other fees to auditor – auditing the accounts of subsidiaries	40	38
	60	56
Non-audit fees		
Corporate taxation services	54	79
Other	17	2
	71	81

7. Staff costs and Directors' emoluments

(a) Staff and Director costs

31 December 2015	Income statement £'000	Development capitalised £'000	Total £'000
Wages and salaries	6,249	1,972	8,221
Social security costs	533	245	778
Other pension costs	284	76	360
	7,066	2,293	9,359

31 December 2014	Income statement £'000	Development capitalised £'000	Total £'000
Wages and salaries	5,372	2,131	7,503
Social security costs	485	251	736
Other pension costs	257	72	329
	6,114	2,454	8,568

Included in wages and salaries is a total expense of share-based payments of £110,000 (2014: £50,000) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

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

	2015	2014
Management	9	8
Sales and administration	21	21
Technical	81	79
	111	108

(b) Directors' emoluments

	2015 £'000	2014 £'000
Directors' emoluments		
Remuneration	457	377
Social security costs	59	35
Pension	16	13
Share-based payments	36	—
	568	425
Number of Directors accruing benefits under defined contribution schemes	2	2

8. Finance revenue and costs

	2015 £'000	2014 £'000
Finance revenue		
Bank interest receivable	**21**	36
Total finance revenue	**21**	36
Finance costs		
Other bank charges	**—**	12
Total finance costs	**—**	12

9. Taxation

(a) Tax on loss on ordinary activities

Tax credited in the income statement

	2015 £'000	2014 £'000
Current income tax		
Overseas tax credit – adjustment to previous years	**(21)**	(29)
Overseas tax charge – current year	**139**	69
UK corporation tax charge – adjustment to previous years	**98**	29
UK corporation tax credit – current year	**(892)**	(877)
Total current income tax	**(676)**	(808)
Deferred income tax		
Reversal of deferred tax asset	**322**	93
Tax rate change adjustments	**(14)**	76
Total deferred income tax	**308**	169
Total credit in the income statement	**(368)**	(639)

(b) Reconciliation of the total tax charge

The tax credit in the income statement for the year is lower than the standard rate of corporation tax in the UK of 20.3% (2014: 21.5%). The differences are reconciled below:

	2015 £'000	2014 £'000
Profit before taxation	**1,582**	456
Accounting profit multiplied by the UK standard rate of corporation tax of 20.3%/21.5%	**321**	98
Expenses not deductible for tax purposes	**(31)**	12
Differences in tax rates	**(7)**	65
Overseas tax credit – adjustment to previous years	**(21)**	(29)
R&D tax credit – previous year	**98**	29
R&D tax credit – current year	**(892)**	(877)
Losses surrendered for R&D tax credit – current year	**1,246**	1,358
R&D enhanced relief	**(692)**	(755)
Movement in unrecognised losses carried forward	**129**	449
Movement in unrecognised temporary differences	**(486)**	(643)
Movement in unrecognised fixed asset temporary differences	**5**	44
Temporary difference on share-based payments	**(24)**	(537)
Prior year adjustments on recognised deferred tax	**—**	71
Tax rate change adjustments	**(14)**	76
Total tax credit reported in the income statement	**(368)**	(639)

Notes to the financial statements continued

9. Taxation continued

(c) Unrecognised tax losses

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

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a credit of £5,000 (2014: credit of £11,000).

(d) Temporary differences associated with Group investments

At 31 December 2015, there was no recognised deferred tax liability (2014: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries for which deferred tax liability has not been recognised aggregate to £nil (2014: £nil).

(e) Deferred tax

Recognised deferred tax

	2015 £'000	2014 £'000
1 January	547	716
Movement in the period	(322)	(93)
Impact of change in tax rate	14	(76)
31 December	239	547
Comprising:		
Temporary differences	42	(21)
Tax losses	197	568
31 December	239	547

A deferred tax charge of £322,000 has been recognised in the year in respect of tax losses and capital allowances in excess of depreciation and other temporary differences.

Unrecognised potential deferred tax assets

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

	2015 £'000	2014 £'000
Temporary differences	(1,421)	(921)
Tax losses	2,150	2,291
Unrecognised deferred tax asset	729	1,370
Gross temporary differences unrecognised	(7,169)	(4,913)
Gross tax losses unrecognised	10,173	10,140
Gross deferred tax asset unrecognised	3,004	5,227

9. Taxation continued

(e) Deferred tax continued

Future tax rates

The main rate of corporation tax for UK companies reduced from 21% to 20% from 1 April 2015. Finance Bill 2015, which was substantively enacted on 26 October 2015, announced further reductions to the main rate of corporation tax. The rate will reduce to 19% from 1 April 2017 and by a further 1% to 18% from 1 April 2020.

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

	2015	2014
UK	18%/20%	20%
Australia	30%	30%
US	40%	40%

10. Earnings per ordinary share

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

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

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

	2015 £'000	2014 £'000
Basic weighted average number of shares	63,238,526	61,992,825
Dilutive potential ordinary shares:		
Employee share options – weighted (note 22)	2,178,202	5,468,653
Diluted weighted average number of shares	65,416,728	67,461,478

	31 December 2015			31 December 2014
	Before exceptional items £'000	Exceptional items £'000	Total £'000	Total £'000
Earnings attributable to owners of the parent	2,099	(149)	1,950	1,095
Earnings per share				
Basic earnings per share – pence	3.32	(0.24)	3.08	1.77
Diluted earnings per share – pence	3.21	(0.23)	2.98	1.62

During the year ended 31 December 2015, share options granted under the 2010 Share Option Plans were exercised and the Group issued 37,500 (2014: 2,697,500) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

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

11. Dividends paid and proposed

No dividends were declared or paid during the year and no dividends will be proposed for approval at the AGM (2014: none).

Notes to the financial statements continued

12. Property, plant and equipment

31 December 2015

	Fixtures and fittings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January	572	738	1,310
Additions	93	124	217
Disposals	(33)	(46)	(79)
Exchange adjustment	(49)	25	(24)
At 31 December	583	841	1,424
Depreciation and impairment			
At 1 January	(234)	(459)	(693)
Charge for year	(152)	(170)	(322)
Disposals	33	45	78
Exchange adjustment	14	(2)	12
At 31 December	(339)	(586)	(925)
Net carrying amount			
At 31 December	244	255	499
At 1 January	338	279	617

31 December 2014

	Fixtures and fittings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January	562	797	1,359
Additions	62	182	244
Disposals	(47)	(236)	(283)
Exchange adjustment	(5)	(5)	(10)
At 31 December	572	738	1,310
Depreciation and impairment			
At 1 January	(151)	(534)	(685)
Charge for year	(133)	(159)	(292)
Disposals	47	230	277
Exchange adjustment	3	4	7
At 31 December	(234)	(459)	(693)
Net carrying amount			
At 31 December	338	279	617
At 1 January	411	263	674

13. Intangible assets

31 December 2015

	Development costs £'000	Patents and licences £'000	Goodwill £'000	Total £'000
Cost				
At 1 January	12,201	1,568	903	14,672
Additions	2,911	103	—	3,014
Exchange adjustment	—	2	(27)	(25)
At 31 December	15,112	1,673	876	17,661
Amortisation and impairment				
At 1 January	(4,975)	(1,134)	(250)	(6,359)
Charge for year	(531)	(123)	—	(654)
Exchange adjustment	—	—	—	—
At 31 December	(5,506)	(1,257)	(250)	(7,013)
Net carrying amount				
At 31 December	9,606	416	626	10,648
At 1 January	7,226	434	653	8,313

31 December 2014

	Development costs £'000	Patents and licences £'000	Goodwill £'000	Total £'000
Cost				
At 1 January	9,100	1,429	925	11,454
Additions	3,099	139	—	3,238
Exchange adjustment	2	—	(22)	(20)
At 31 December	12,201	1,568	903	14,672
Amortisation and impairment				
At 1 January	(4,644)	(1,065)	(250)	(5,959)
Charge for year	(329)	(71)	—	(400)
Exchange adjustment	(2)	2	—	—
At 31 December	(4,975)	(1,134)	(250)	(6,359)
Net carrying amount				
At 31 December	7,226	434	653	8,313
At 1 January	4,456	364	675	5,495

Development costs

Development costs are internally generated and are capitalised at cost. These intangible assets have been assessed as having a finite life and are amortised on a straight-line basis over their useful lives of six to 20 years. These assets are tested for impairment where an indicator of impairment arises and annually prior to them being made available for use. Development costs have a remaining life of 17 years.

Patents and licences

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

Goodwill

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

Notes to the financial statements continued

14. Impairment of goodwill and intangibles

Goodwill

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

Carrying amount of goodwill

	2015 £'000	2014 £'000
Clareti Solutions CGU	**626**	653

Development costs (finite life)

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

	2015 £'000	2014 £'000
Clareti Solutions CGU	**9,606**	7,226

Clareti Solutions cash-generating unit

The recoverable amount of this CGU has been determined based on a value-in-use calculation. To calculate this, cashflow projections are based on financial budgets approved by the Board for 2016, which are extrapolated for five years, and extended beyond five years, which the Board considers appropriate given the long-term opportunities that exists in the Asia Pacific, EMEA and North American regions. The discount rate applied to cashflow projections is 15% (2014: 15%) and cashflows beyond the five-year period are extrapolated using a 2% growth rate (2014: 2%) that is a prudent approximation to the long-term average growth rate for the region in which the CGU operates.

Key assumptions used in the value-in-use calculations

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

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

- operating cashflows, based on financial budgets for 2015 approved by the Board;
- growth rates, based on internally estimated growth rates for the market and the business offerings; and
- discount rate, based on the pre-tax weighted average cost of capital of the Group.

Sensitivity to changes in assumptions

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

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

15. Investments

Details of Group undertakings

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

Name of subsidiary company	Country of incorporation	Holding (shares)	Proportion of voting rights and shares held	Nature of business
Gresham Computer Services Limited	England	Ordinary	100%	Software solutions
Gresham Financial Systems Limited	England	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc(3)	USA	Ordinary	100%	Software solutions
Gresham Computing Pty Limited(3)	Australia	Ordinary	100%	Software solutions
Gresham Computing Sdn Bhd(1)	Malaysia	Ordinary	100%	Software solutions
Gresham Computing Pte. Limited	Singapore	Ordinary	100%	Software solutions
Gresham Computing Inc(1,3)	USA	Ordinary	100%	Software solutions
Gresham Consultancy Services Limited(2)	England	Ordinary	100%	Dormant
Casablanca Software Limited(2)	England	Ordinary	100%	Dormant
Circa Selection Limited(2)	England	Ordinary	100%	Dormant
Gresham Technologies Limited(2,4)	England	Ordinary	100%	Dormant
Gresham Telecomputing Limited(2)	England	Ordinary	100%	Dormant
Circa Business Systems Limited(2)	England	Ordinary	100%	Dormant
Cheerkeep Limited(2)	England	Ordinary	100%	Dormant

(1) Held by a subsidiary undertaking

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

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

(4) Name changed from Gresham Software Limited on 6 March 2014

The following wholly owned subsidiaries were dissolved during the year ended 31 December 2015 following an application by the Company to strike off voluntarily:

- Casablanca Software Limited – dissolved 10 February 2015.
- Circa Selection Limited – dissolved 10 February 2015.

The following wholly owned subsidiaries were dissolved during the year ended 31 December 2014 following an application by the Company to strike off voluntarily:

- Clareti Systems Limited – dissolved 1 April 2014.
- ITEC Computer Broking Limited – dissolved 8 July 2014.
- Gresham Computer Personal Limited – dissolved 8 July 2014.

Notes to the financial statements continued

16. Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	1,546	1,794
Provision for impairment	—	—
Trade receivables – net	1,546	1,794
Prepayments and accrued income	1,740	1,509
Amounts recoverable on contracts	186	—
	3,472	3,303

	2015 £'000	2014 £'000
Income tax	892	1,224

The following table provides disclosure of contracts in progress at the statement of financial position date:

	2015 £'000	2014 £'000
Contracts in progress at the statement of financial position date		
Contract costs incurred plus recognised profits less recognised losses to date	344	—
Less: progress billings	(158)	—
	186	—
Recognised as:		
Amounts recoverable on contracts	186	—

Trade receivables are denominated in the following currencies:

	2015 £'000	2014 £'000
Sterling	438	446
Euro	37	141
US Dollar	496	458
Australian Dollar	545	715
Malaysian Ringgit	30	34
	1,546	1,794

The Group held trade receivables with a value of £583,000 in respect of one customer at 31 December 2015 (2014: one customer with a balance of £635,000) which were settled during the following January and February. Otherwise, there is no significant concentration of trade receivables around major customers in either year. Trade receivables are non-interest bearing and are generally on 30 – 60 days' terms and are shown net of a provision for impairment.

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

			Past due but not impaired				
	Total £'000	Neither past due nor impaired £'000	<30 days £'000	30 – 60 days £'000	60 – 90 days £'000	90 – 120 days £'000	>120 days £'000
2015	1,746	663	1,043	23	1	—	16
2014	1,794	689	780	241	79	5	—

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

17. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash at bank and in hand	**4,666**	4,707

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

At 31 December 2015, the Group had £nil (2014: £nil) of undrawn committed borrowing facilities.

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

18. Trade, other payables, provisions and financial liabilities

Trade and other payables

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

Current

	2015 £'000	2014 £'000
Trade payables	**436**	588
Other payables	**1,188**	1,265
Deferred income	**3,670**	3,792
	5,294	5,645

	2015 £'000	2014 £'000
Financial liabilities – forward foreign currency contract (current)	**3**	—

	2015 £'000	2014 £'000
Income tax payable	**89**	58

Non-current

	2015 £'000	2014 £'000
Deferred income	**53**	82

Notes to the financial statements continued

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

Provisions

	Property provisions £'000
At 1 January 2015	
– Current	8
– Non-current	28
	36
Amounts provided during the year	18
Amounts released during the year	(9)
At 31 December 2015	
– Current	19
– Non-current	24
	43

	Property provisions £'000
At 1 January 2014	
– Current	—
– Non-current	21
	21
Further amounts provided during the year	15
At 31 December 2014	
– Current	8
– Non-current	28
	36

Property provisions

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

19. Obligations under leases

Operating lease agreements where the Group is lessee

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

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

	Land and buildings 2015 £'000	Other 2015 £'000	Total 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'000	Total 2014 £'000
Not later than one year	325	—	325	475	—	475
After one but not more than five years	255	—	255	593	—	593
	580	—	580	1,068	—	1,068

19. Obligations under leases continued

Operating lease agreements where the Group is lessor

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

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

	Land and buildings 2015 £'000	Other 2015 £'000	Total 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'000	Total 2014 £'000
Not later than one year	—	26	26	38	—	38
After one but not more than five years	—	—	—	—	—	—
	—	26	26	38	—	38

20. Financial instruments

Objectives, policies and strategies

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

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

Risk management

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

Credit management

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

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

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

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

Interest rate risk

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

Capital risk

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

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

Notes to the financial statements continued

20. Financial instruments continued

Financial liabilities – by maturity

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

	Less than one year £'000	Between one to two years £'000	Between two to five years £'000
Year ended 31 December 2015			
Provisions	**19**	**—**	**24**
	19	**—**	**24**
Year ended 31 December 2014			
Provisions	8	12	16
	8	12	16

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

Liquidity risk

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

- Trade receivables – a significant element of the Group's liquidity is tied up in working capital, which primarily comprises trade receivables. The settlement risk associated with these assets comprises both credit risk (the risk that the counterparty will not settle at all) and liquidity risk (the risk that the counterparty will not settle on time).
- Property, plant and equipment – a significant element of the Group's liquidity is tied up in tangible fixed assets. For those assets required in the business for day to day operations, the Group considers the use of finance lease arrangements to reduce the amount of liquidity tied up in such assets. The Group keeps its investment in fixed assets under review and actively considers converting such assets to more liquid assets.
- Currency risk – this risk is discussed on page 72.

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

- daily cash at bank is reported to the Executive Board;
- cash forecasts are maintained;
- foreign exchange risks are hedged where significant; and
- credit control is operated locally with Group oversight.

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

20. Financial instruments continued

Fair values of financial assets and liabilities

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

Year ended 31 December 2015	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
Financial assets				
Trade receivables	**1,546**	**—**	**—**	**1,546**
Accrued income	**1,009**	**—**	**—**	**1,009**
Cash and cash equivalents	**4,666**	**—**	**—**	**4,666**
	7,221	**—**	**—**	**7,221**
Financial liabilities				
Trade payables	**—**	**—**	**436**	**436**
Other payables	**—**	**—**	**643**	**643**
Provisions	**—**	**—**	**43**	**43**
Foreign exchange instruments	**—**	**3**	**—**	**3**
	—	**3**	**1,122**	**1,125**

Year ended 31 December 2014	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
Financial assets				
Trade receivables	1,794	—	—	1,794
Accrued income	593	—	—	593
Cash and cash equivalents	4,707	—	—	4,707
	7,094	—	—	7,094
Financial liabilities				
Trade payables	—	—	588	588
Other payables	—	—	802	802
Provisions	—	—	36	36
	—	—	1,426	1,426

Fair value hierarchy

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

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

As at 31 December 2015, the Group held a foreign exchange instrument that had been measured at fair value using Level 2 techniques. The Group held no foreign exchange instruments at 31 December 2014.

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

Notes to the financial statements continued

20. Financial instruments continued

Currency risk

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

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

At 31 December 2015, the Group had the following outstanding foreign currency forward contracts (2014: nil):

		Rate	Asset/ (liability)
Sell US$500,000	08-Feb-16	£/US$1.4880	(1)
Sell US$500,000	09-Feb-16	£/US$1.4882	(2)

Currency exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved, other than those borrowings treated as hedges of foreign equity investments. In general, all overseas operating units trade and hold assets and liabilities in their functional currency.

Sensitivities

The following table details the Group's sensitivities to a change in Sterling exchange rates against the respective foreign currencies. The sensitivities represent management's assessment of the effect on monetary assets of the possible changes in foreign exchange rates, which for 2015 and 2014 take account of the potential fluctuations seen in the most recent periods. The sensitivity analysis of the Group's exposure to foreign currency risk at the year end has been determined based on the assumption that the change is effective throughout the financial year and all other variables remain constant. The impact of translating the net assets of foreign operations into Sterling is excluded from the sensitivity analysis.

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

2015	Increase/decrease in exchange rates	Effect on profit before tax £'000
Euro	**+20%**	**(29)**
	-20%	**43**
Australian Dollar	**+20%**	**(233)**
	-20%	**350**
US Dollar	**+20%**	**(259)**
	-20%	**389**
Malaysian Ringgit	**+20%**	**(27)**
	-20%	**41**
Singapore Dollar	**+20%**	**(15)**
	-20%	**22**

2014	Increase/decrease in exchange rates	Effect on profit before tax £'000
Euro	+20%	(51)
	-20%	76
Australian Dollar	+20%	(244)
	-20%	367
US Dollar	+20%	(158)
	-20%	237
Malaysian Ringgit	+20%	(36)
	-20%	53
Singapore Dollar	+20%	(1)
	-20%	2

The Group has no material exposure to interest rate sensitivities.

21. Issued share capital

Ordinary shares allotted, called up and fully paid

	Number	Nominal value £'000
At 1 January 2014	60,535,978	3,027
Exercise of share options (see note 22)	2,697,500	135
At 31 December 2014	63,233,478	3,162
Exercise of share options (see note 22)	37,500	2
At 31 December 2015	**63,270,978**	**3,164**

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

During the year ended 31 December 2015, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 37,500 (2014: 2,697,500) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

At 31 December 2015 and 2014 there were outstanding options granted to acquire ordinary shares in the Company. See note 22 for further details.

There are no preference shares in issue (2014: none).

On 24 February 2015 at a shareholder general meeting, the Board proposed, and the Company's shareholders duly approved, resolutions to allow the Company to apply to the High Court of Justice of England and Wales (the "Court") to cancel its Share Premium Account and thereby create distributable reserves to support the Company's ability to declare and pay dividends, and make other returns of capital to shareholders. On 18 March 2015 the Court heard and approved the Company's application.

An explanation of the Group's capital management process and objectives is set out in the discussion of capital management on page 18 in the Strategic Report and capital risk disclosures in note 20.

22. Share-based payments

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

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

Share Option Schemes 2010

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

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

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

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

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

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

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

Notes to the financial statements continued

22. Share-based payments continued

Share Option Schemes 2010 continued

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

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

At 31 December 2015, 28 participants held awards under this scheme (2014: 29).

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2015, including those noted in the Directors' Remuneration Report, are as follows:

Share Option Schemes 2010 (options)	Number	WAEP (pence)	Number	WAEP (pence)
Outstanding at 1 January	4,198,000	29	6,925,500	37
Granted during the year	1,500,000	111	—	—
Forfeited during the year	(40,000)	96	(30,000)	96
Exercised during the year	(37,500)	28	(2,697,500)	28
Outstanding at 31 December	**5,620,500**	**64**	**4,198,000**	**47**
Exercisable at 31 December	**3,690,500**	**41**	**2,493,000**	**29**
Weighted average remaining contractual life (years)	6.70		6.68	

No price is payable on award of share options.

Outstanding options and awards to subscribe for ordinary shares of 5 pence at 31 December 2015, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates, are as follows:

Share Option Schemes 2010	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
	2,417,500	**31-Dec-10**	**0.2805**	**31-Dec-13**	**31-Dec-20**	**678,109**
	38,000	**05-Aug-11**	**0.5803**	**05-Aug-14**	**05-Aug-21**	**22,051**
	1,000,000	**06-Apr-12**	**0.6424**	**06-Apr-15**	**06-Apr-22**	**642,400**
	100,000	**23-May-12**	**0.6105**	**23-May-15**	**23-May-22**	**61,050**
	135,000	**15-Aug-12**	**0.6850**	**15-Aug-15**	**15-Aug-22**	**92,475**
	380,000	**01-Aug-13**	**0.9630**	**01-Aug-16**	**01-Aug-23**	**365,940**
	50,000	**07-Oct-13**	**1.3230**	**07-Oct-16**	**07-Oct-23**	**66,150**
	1,500,000	**01-Jun-15**	**1.1057**	**01-Jun-18**	**01-Jun-25**	**1,658,580**
						3,586,755

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2014, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates, are as follows:

Share Option Schemes 2010	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
	2,455,000	31-Dec-10	0.2805	31-Dec-13	31-Dec-20	688,628
	38,000	05-Aug-11	0.5803	05-Aug-14	05-Aug-21	22,051
	1,000,000	06-Apr-12	0.6424	06-Apr-15	06-Apr-22	642,400
	100,000	23-May-12	0.6105	23-May-15	23-May-22	61,050
	135,000	15-Aug-12	0.6850	15-Aug-15	15-Aug-22	92,475
	450,000	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	433,350
	50,000	07-Oct-13	1.3230	07-Oct-16	07-Oct-23	66,150
						2,006,104

22. Share-based payments continued

Share Option Schemes 2010 continued

The fair value of outstanding equity-settled share options granted was estimated as at the date of grant as follows:

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

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

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

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

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

(3) Attrition rate on average

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

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

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

	2015 £'000	2014 £'000
Expense recognised in respect of share-based payments	**110**	50

Notes to the financial statements continued

23. Reconciliation of movements in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation £'000	Retained earnings £'000	Total £'000
At 1 January 2014	3,027	15,906	313	17	(8,214)	11,049
Attributable profit for the period	—	—	—	—	1,095	1,095
Other comprehensive expense	—	—	—	(55)	—	(55)
Total comprehensive income	—	—	—	(55)	1,095	1,040
Exercise of share options	135	616	—	—	—	751
Share-based payment expense	—	—	—	—	50	50
At 31 December 2014	3,162	16,522	313	(38)	(7,069)	12,890
Attributable profit for the period	—	—	—	—	1,950	1,950
Other comprehensive expense	—	—	—	(27)	—	(27)
Total comprehensive income	—	—	—	(27)	1,950	1,923
Share premium cancellation	—	(16,522)	—	—	16,522	—
Exercise of share options	2	9	—	—	—	11
Share-based payment expense	—	—	—	—	110	110
At 31 December 2015	**3,164**	**9**	**313**	**(65)**	**11,513**	**14,934**

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

During the year ended 31 December 2015, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 37,500 (2014: 2,697,500) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

On 24 February 2015 at a shareholder general meeting, the Board proposed, and the Company's shareholders duly approved, resolutions to allow the Company to apply to the High Court of Justice of England and Wales (the "Court") to cancel its Share Premium Account and thereby create distributable reserves to support the Company's ability to declare and pay dividends, and make other returns of capital to shareholders. On 18 March 2015 the Court heard and approved the Company's application.

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

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

The merger reserve of £726,000 recorded in the prior year has been transferred to retained earnings following the disposals of the associated investments. The merger reserve arose on issue of shares in respect of acquisitions and mergers in the period 1992 to 1999.

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

Retained earnings
The cumulative amount of goodwill written off to reserves at 31 December 2015 and 2014 is £7,326,000. Goodwill previously written off to reserves will remain so written off.

24. Capital commitments

At 31 December 2015, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2014: £nil).

25. Contingent liabilities and contingent assets

Contingent liabilities

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

26. Related party transactions

There is no single party known that the Directors consider to be a controlling shareholder or ultimate parent undertaking. Refer to page 35 for details of all significant shareholders that the Company has been notified of.

The services of M Royde, Non-Executive Director, are provided and invoiced by Kestrel Partners LLP, a company in which he has an ownership interest. During the year ended 31 December 2015, the Company was charged £30,000 by Kestrel Partners LLP (2014: £30,000), none of which (2014: £nil) remained unpaid at the year end. The total value of transactions with Kestrel Partners LLP in respect of the provision of M Royde's services is shown in the Directors' Remuneration Report.

Company balance sheet

	Notes	31 December 2015 £'000	31 December 2014 £'000
Fixed assets			
Property, plant and equipment	5	**22**	—
Investments	6	**9,963**	9,414
		9,985	9,414
Current assets			
Debtors	7	**14,122**	11,603
Cash at bank and in hand		**2,431**	2,799
		16,553	14,402
Creditors: amounts falling due within one year	8	**6,908**	4,095
Net current assets		**9,645**	10,307
Total assets less current liabilities		**19,630**	19,721
Capital and reserves			
Called up share capital	10	**3,164**	3,162
Share premium account	11	**9**	16,522
Special reserve	11	**313**	313
Merger reserve	11	**1,360**	1,360
Profit and loss account	11	**14,784**	(1,636)
Shareholders' funds – equity interests	11	**19,630**	19,721

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2016.

On behalf of the Board

Ian Manocha
Chief Executive
7 March 2016

Rob Grubb
Chief Financial Officer
7 March 2016

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Special reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2014	3,027	15,906	313	1,360	(743)	19,863
Exercise of share options	135	616	—	—	—	751
Share-based payments expense	—	—	—	—	50	50
Retained loss for the year	—	—	—	—	(943)	(943)
At 31 December 2014	3,162	16,522	313	1,360	(1,636)	19,721
Exercise of share options	2	9	—	—	—	11
Share premium cancellation		(16,522)	—	—	16,522	
Share-based payments expense	—	—	—	—	110	110
Retained loss for the year	—	—	—	—	(212)	(212)
At 31 December 2015	**3,164**	**9**	**313**	**1,360**	**14,784**	**19,630**

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

The Parent Company financial statements of Gresham Computing plc (the "Company") have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework and as required by the Companies Act 2006.

The financial statements are prepared under the historical cost convention as modified for financial instruments that are measured at fair value and were approved for issue on 7 March 2016.

No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006. For the year ended 31 December 2015, the Company recorded a loss of £212,000 (2014: loss of £943,000).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU-endorsed IFRSs;
- certain disclosures regarding the Company's capital;
- a statement of cashflows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- the disclosure of related party transactions with other wholly owned members of the Gresham Computing plc Group.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- share-based payments;
- business combinations;
- assets held for sale and discontinued operations;
- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- impairment of assets.

Investments

Investments are recorded at cost less provision for impairment.

Financial assets

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses on financial assets at fair value through profit or loss recognised in the profit and loss account.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or Group of financial assets is impaired.

Assets carried at amortised cost

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

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

Other receivables

Where the time value of money is material, other receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

1. Accounting policies continued

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured, on an undiscounted basis, at rates expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date as they apply in the periods in which the timing differences are expected to reverse.

Foreign currencies

Transactions denominated in foreign currencies are translated at an approximation of the exchange rate ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date. Resulting exchange gains and losses are taken to the profit and loss account.

Financial instruments

The Company uses forward foreign currency contracts to reduce exposure to movements in foreign exchange rates. Such instruments are stated at fair value. Gains and losses arising from changes in fair value are taken to the profit and loss account in the period.

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

Related party transactions

The Company has taken advantage of the exemption under FRS 8 from disclosing related party transactions with entities that are wholly owned subsidiary undertakings of the Gresham Computing plc Group.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the period to the next rent review.

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

When shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Notes to the Company financial statements continued

1. Accounting policies continued

Share-based payments – equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised in the Company financial statements as a capital contribution to the subsidiaries for whom the employees perform services, with the credit entry being made to reserves, over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

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

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

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised as a capital contribution, with a corresponding entry in equity.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is recorded as a capital contribution immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as a capital contribution in the balance sheet.

2. Auditor's remuneration

	2015 £'000	2014 £'000
Audit of the financial statements		
Audit services – Parent	**8**	7
	8	7
Additional information		
Audit services – Group	**15**	13
Audit services – subsidiaries	**37**	36
	52	49
Non-audit fees		
Corporate taxation services	**2**	2
Share option scheme establishment	**—**	—
	2	2

3. Directors' remuneration

Information concerning Directors' remuneration and gains on exercise of share options can be found in the Directors' Remuneration Report beginning on page 27 and in note 7 to the Group financial statements.

4. Dividends paid and proposed

No dividends were declared or paid during the year and no dividends will be proposed for approval at the AGM (2014: none).

5. Property, plant and equipment

31 December 2015

	Fixtures and fittings £'000	Total £'000
Cost		
At 1 January 2015	—	—
Additions	31	31
At 31 December 2015	**31**	**31**
Depreciation and impairment		
At 1 January 2015	—	—
Charge for year	(9)	(9)
At 31 December 2015	**(9)**	**(9)**
Net carrying amount		
At 31 December 2015	**22**	**22**
At 1 January 2015	—	—

6. Investments

	Subsidiaries 2015 £'000	Subsidiaries 2014 £'000
Cost		
At 1 January	**23,006**	22,956
Capital contribution – additional investment	**25**	—
Capital contribution – capitalisation of inter-company debt	**414**	—
Capital contribution – share-based payments	**110**	50
At 31 December	**23,555**	23,006
Impairment provisions		
At 1 January	**13,592**	13,592
At 31 December	**13,592**	13,592
Net book value		
At 31 December	**9,963**	9,414

Notes to the Company financial statements continued

6. Investments continued

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

Name of subsidiary company	Country of incorporation	Holding (shares)	Proportion of voting rights and shares held	Nature of business
Gresham Computer Services Limited	England	Ordinary	100%	Software solutions
Gresham Financial Systems Limited	England	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc(3)	USA	Ordinary	100%	Software solutions
Gresham Computing Pty Limited(3)	Australia	Ordinary	100%	Software solutions
Gresham Computing Sdn Bhd(1)	Malaysia	Ordinary	100%	Software solutions
Gresham Computing Pte. Limited	Singapore	Ordinary	100%	Software solutions
Gresham Computing Inc(1,3)	USA	Ordinary	100%	Software solutions
Gresham Consultancy Services Limited(2)	England	Ordinary	100%	Dormant
Casablanca Software Limited(2)	England	Ordinary	100%	Dormant
Circa Selection Limited(2)	England	Ordinary	100%	Dormant
Gresham Technologies Limited(2,4)	England	Ordinary	100%	Dormant
Gresham Telecomputing Limited(2)	England	Ordinary	100%	Dormant
Circa Business Systems Limited(2)	England	Ordinary	100%	Dormant
Cheerkeep Limited(2)	England	Ordinary	100%	Dormant

(1) Held by a subsidiary undertaking

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

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

(4) Name changed from Gresham Software Limited on 6 March 2014

The following wholly owned subsidiaries were dissolved during the year ended 31 December 2015 following an application by the Company to strike off voluntarily:

- Casablanca Software Limited – dissolved 10 February 2015.
- Circa Selection Limited – dissolved 10 February 2015.

The following wholly owned subsidiaries were dissolved during the year ended 31 December 2014 following an application by the Company to strike off voluntarily:

- Clareti Systems Limited – dissolved 1 April 2014.
- ITEC Computer Broking Limited – dissolved 8 July 2014.
- Gresham Computer Personal Limited – dissolved 8 July 2014.

7. Debtors

	2015 £'000	2014 £'000
Amounts owed by subsidiary undertakings	**14,078**	11,528
VAT receivable	**36**	27
Prepayments and accrued income	**8**	48
	14,122	11,603

8. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed to subsidiary undertakings	**6,732**	3,995
Trade creditors	**175**	98
Other creditors and accruals	**1**	2
	6,908	4,095

9. Deferred tax

The Company has an unrecognised deferred tax asset as follows:

	2015 £'000	2014 £'000
Share-based payments	**171**	135
Tax losses	**110**	79
	281	214

10. Issued share capital

Ordinary shares allotted, called up and fully paid	Number	Nominal value £'000
At 1 January 2014	60,535,978	3,027
Exercise of share options (see note 22)	2,697,500	135
At 31 December 2014	63,233,478	3,162
Exercise of share options (see note 22)	37,500	2
At 31 December 2015	**63,270,978**	**3,164**

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

During the year ended 31 December 2015, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 37,500 (2014: 2,697,500) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

At 31 December 2015 and 2014 there were outstanding options granted to acquire ordinary shares in the Company. See note 22 for further details.

There are no preference shares in issue (2014: none).

On 24 February 2015 at a shareholder general meeting, the Board proposed, and the Company's shareholders duly approved, resolutions to allow the Company to apply to the High Court of Justice of England and Wales (the "Court") to cancel its Share Premium Account and thereby create distributable reserves to support the Company's ability to declare and pay dividends, and make other returns of capital to shareholders. On 18 March 2015 the Court heard and approved the Company's application.

Notes to the Company financial statements continued

11. Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium £'000	Special reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2014	3,027	15,906	313	1,360	(743)	19,863
Exercise of share options	135	616	—	—	—	751
Share-based payments expense	—	—	—	—	50	50
Retained loss for the year	—	—	—	—	(943)	(943)
At 31 December 2014	3,162	16,522	313	1,360	(1,636)	19,721
Exercise of share options	2	9	—	—	—	11
Share premium cancellation		(16,522)	—	—	16,522	
Share-based payments expense	—	—	—	—	110	110
Retained loss for the year	—	—	—	—	(212)	(212)
At 31 December 2015	**3,164**	**9**	**313**	**1,360**	**14,784**	**19,630**

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

During the year ended 31 December 2015, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 37,500 (2014: 2,697,500) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

On 24 February 2015 at a shareholder general meeting, the Board proposed, and the Company's shareholders duly approved, resolutions to allow the Company to apply to the High Court of Justice of England and Wales (the "Court") to cancel its Share Premium Account and thereby create distributable reserves to support the Company's ability to declare and pay dividends, and make other returns of capital to shareholders. On 18 March 2015 the Court heard and approved the Company's application.

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

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

The merger reserve arose on issue of shares in respect of acquisitions and mergers in the period 1992 to 1999.

12. Obligations under leases

Operating lease agreements where the Company is lessee

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

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

	Land and buildings 2015 £'000	Other 2015 £'000	Total 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'000	Total 2014 £'000
Not later than one year	**222**	**—**	**222**	243	—	243
After one but not more than five years	**172**	**—**	**172**	394	—	394
	394	**—**	**394**	637	—	637

Operating lease agreements where the Company is lessor

The Company has no lease arrangements where it is lessor.

13. Capital commitments

At 31 December 2015, Company amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2014: £nil).

14. Contingent liabilities

In the normal course of business, the Company has issued general guarantees in respect of the contractual obligations of certain subsidiary undertakings.

15. Share-based payments

Share-based payments in respect of both the Company and the Group are disclosed in note 22 of the Group financial statements.

16. Related party transactions

There is no single party known that the Directors consider to be a controlling shareholder or ultimate parent undertaking. Refer to page 35 for details of all significant shareholders that the Company has been notified of.

The services of M Royde, Non-Executive Director, are provided and invoiced by Kestrel Partners LLP, a company in which he has an ownership interest. During the year ended 31 December 2015, the Company was charged £30,000 by Kestrel Partners LLP (2014: £30,000), none of which (2014: £nil) remained unpaid at the year end. The total value of transactions with Kestrel Partners LLP in respect of the provision of M Royde's services is shown in the Directors' Remuneration Report.

17. First time adoption of FRS 101 Reduced Disclosure Framework

This is the first time that the Company has adopted FRS 101 having previously applied applicable UK accounting standards. The date of transition to FRS 101, was 1 January 2014. In applying FRS 101 for the first time the Company has made the election to retain the carrying amounts of property, plant and equipment at the previous carrying amounts under applicable UK accounting standards.

Other than the adoption of the reduced disclosures there was no material effect of applying FRS 101 for the first time, and there are no differences in the numbers reported as a result of the transition to FRS 101. The disclosure exemptions adopted are included in note 1 to the Company financial statements.

Corporate information

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