Aptitude

Annual report 2022

Directors and Advisers

Ivan Martin

Non-Executive Chairman / Chair of Nomination Committee

Ivan Martin was appointed to the Board on 1 January 2016 and assumed the role of Non-Executive Chairman on 4 March 2016. Ivan is also Non-Executive Chairman of TelcoSwitch, a privately owned provider of Unified Communications Software as a Service. Until April 2021, Ivan was also Non-Executive Chairman of Xceptor, a London-based international software business which was sold by CBPE Capital to Astorg Partners. Ivan has held a number of significant Executive and Non-Executive positions in both the Technology and Financial Services sectors. He was Chief Executive Officer of Misys Banking and Capital Markets and a main board member of Misys plc. He was also Chairman of FDM Group from 2006 to 2019, during which time he oversaw the growth and evolution of this company from an AIM listing to a FTSE 250 member valued at over £1 billion. Ivan is a member of various Wulstan Capital LLPs and Parch Three Estates LLP, being commercial property investment vehicles. He has no other significant commitments.

Jeremy Suddards

Chief Executive Officer

Jeremy was appointed to the Aptitude Board as Chief Executive Officer Designate on 1 September 2019, before formally taking on the role of Chief Executive Officer on 17 January 2020. Jeremy joined Aptitude in January 2018 as Chief Client Officer for Europe & APAC. Prior to joining Aptitude, Jeremy undertook a number of executive roles at Hewlett Packard Enterprise including Vice President, Financial Services Industries EMEA & Vice President Global Accounts.

Philip Wood

Deputy Chief Executive Officer and former Chief Financial Officer

Philip Wood was appointed Chief Financial Officer on 2 January 2007. A Chartered Accountant, Philip spent seven years with AttentiV Systems Group plc and its group companies during which time, he as Group Finance Director, oversaw the group's flotation in 2004 and subsequent acquisition in 2005 by Tieto Corporation. On 1 July 2019, Philip was appointed to the expanded role of Deputy Chief Executive Officer and Chief Financial Officer to the Group. Philip is also a Non-Executive Director and Chair of the Audit Committee of SmartSpace Software plc. Philip Wood stepped down from his role as Chief Financial Officer on 24 January 2023 and will be stepping down from the Board in July 2023 in order to spend more time with his young family. Details of succession plans for Philip's role can be found on page 43.

Barbara Moorhouse

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

Barbara Moorhouse was appointed as a Non-Executive Director on 1 April 2017 and on 14 March 2022 she was appointed as Senior Independent Director and Chair of Remuneration Committee. Prior to this she was Chair of the Audit Committee. Barbara has extensive senior experience in operating and financial roles across the public and private sectors. Her most recent executive roles were as Chief Operating Officer at Westminster City Council, and Director General at Ministry of Justice and Department for Transport. Earlier in her career, she was Chief Financial Officer at two international listed software companies – Kewill Systems plc and Scala Business Solutions NV. Barbara is Independent Chair of Agility Trains, a Non-Executive Director of Balfour Beatty plc, and Senior Independent Director and Chair of the Audit Committee of Medica Group plc. Barbara was Chair of the Rail Safety and Standards Board until 31 May 2022 and on 16 January 2023 she was appointed as Non-Executive Director and Chair-Designate of the Quality and Safety Committee of the Board of Glas Cymru, a not-for-profit company which owns Welsh Water.

Sara Dickinson

Non-Executive Director / Chair of Audit Committee

Sara Dickinson was appointed as a Non-Executive Director on 1 October 2021 and took on the role of Chair of the Audit Committee on 14 March 2022. Sara was appointed as Chief Financial Officer of the British Standards Institute on 24 January 2022, and prior to this, Sara was Senior Vice President of Finance at Expedia Group, and previously the Chief Finance Officer of Expedia Partner Solutions, the global B2B technology solutions division within Expedia. Sara has over 25 years of financial experience, as well as significant knowledge of digital finance processes and finance transformation. Until August 2021, Sara was a Non-Executive Director and Chair of the Finance Committee of A2Dominion, a residential property group with a debt listing on the London Stock Exchange. Sara's other past experience includes Commercial Finance Director at Costa Coffee, Group Financial Controller for Sage Group plc and Vice President and European Chief Financial Officer of ebookers.

Georgina Sharley

Company Secretary

Georgina Sharley was appointed as Company Secretary on 10 December 2018. She is a member of The Chartered Governance Institute and has 22 years' experience in supporting United Kingdom listed companies and groups with fulfilling their corporate governance and statutory compliance obligations.

Independent Auditor

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Financial Advisors and Stockbrokers

Investec Bank plc
30 Gresham Street
London
EC2V 7QP

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Financial Public Relations

Alma PR
71-73 Carter Lane
London
EC4V 5EQ

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Registered Office

8th Floor, 138 Cheapside
London
EC2V 6BJ

Contents

Strategic report

Directors' report

Governance

Financial statements

Supplementary information

About Aptitude

Aptitude helps complex organizations automate and transform their financial business models. Our core areas of focus are the accelerating digitalization of the finance function, and the cross-industry drive to deploy and manage subscription offerings at scale. Aptitude also continues to support clients through complex regulations which often form the catalyst for broader finance transformation.

Finance digitalization enables finance leaders to automate legacy manually intensive processes, improve the speed of their function, enhance the quality of its outcomes, and do so at a dramatically lower cost. Aptitude's products draw data from complex, often siloed systems, delivering high levels of automatic processing of complex accounting calculations, and creating a unified view of finance. Businesses are left with a transparent view of their data, delivered at extreme performance and at a significantly lower cost of ownership improving their finance functions' ability to support their business objectives.

Subscription management is a rapidly increasingly critical driver for new and traditional businesses alike, who want to move to or launch a recurring revenue model, in ways which appeal to their customers and allow them to outperform their peers. Aptitude's products power the acquisition, monetization, and retention of subscribers straight through to complex revenue reporting. With Aptitude, businesses can take new subscription-models to market quickly, retain their high-value recurring revenue, and stay one step ahead of the competition. Whilst business to consumer (B2C) subscription models are increasing all the time, Aptitude also specialises in business to business (B2B) subscriptions which are undergoing significant business model shifts post pandemic, increasing volume and complexity which the Group is able to manage ahead of its peers.

Our global client base includes some of the world's largest companies, typically organisations with complex business models, large volumes of data, and many legacy internal systems. Aptitude is headquartered in London, has a strong and growing North American and Asian presence, and is powered by Global Technology Centres in Poland and the North West of England. Sales, support and implementation services are provided from offices in the United States, the United Kingdom, Canada, and Singapore. www.aptitudesoftware.com

Key Operational and **Financial Highlights**

Year ended 31 December	2022	2021	% Change
Annual Recurring Revenue1 ('ARR') at year end	**£51.6m**	£45.0m	+15%
ARR Growth	**15%**		
ARR Growth (Constant Currency[2])	**9%**		
Total Revenue	**£74.4m**	£59.3m	+25%
Recurring Revenue[3]	**£50.5m**	£40.1m	+26%
Non-Recurring Services Revenue	**£23.9m**	£19.2m	+24%
Cash and cash equivalents at year end	**£29.2m**	£29.1m	–
Net Funds[4]	**£15.9m**	£16.1m	-1%
Adjusted Operating Margin[5]	**10%**	17%	-7%
Adjusted Operating Profit[5]	**£7.5m**	£9.9m	-24%
Statutory Operating Profit	**£3.7m**	£6.5m	-43%
Basic Earnings per Share	**4.5p**	9.0p	-50%
Final Ordinary Dividend per Share	**3.6p**	3.6p	–
Full Year Ordinary Dividend per Share	**5.4p**	5.4p	–

- Annual Recurring Revenue ('ARR') growth of 15% in absolute terms and 9% on a Constant Currency basis
- Total Revenue grew by 25% to £74.4 million in line with market expectations (2021: £59.3 million), Organic Growth[6] of 14%
- Recurring Revenue, the strategic focus of the Group, grew 26% to £50.5 million (2021: £40.1 million), Organic Growth of 11% representing 68% of total revenue (2021: 68%)
- In line with expectations and the Group's previously communicated investment plans, the increased investment in the Group's two strategic growth drivers of finance digitalization and subscription management has tempered Adjusted Operating Profits which reduced to £7.5 million (2021: £9.9 million) consequentially impacting adjusted operating margin
- Balance sheet strong with year-end cash of £29.2 million (2021: £29.1 million) following £3.8 million net corporate cash flows. Net Funds[4] of £15.9 million (2021: £16.1 million)

Strategic Progress:

- The Group's suite of products which is aligned to long-term and non-cyclical strategic drivers of finance digitalization and subscription management, is expected to drive an acceleration in growth of Annual Recurring Revenue and margin
- Fynapse, the Group's next generation strategic digital finance platform, launched in March 2022 is already contributing to Aptitude's success
    - the signing of a major new partnership agreement with Microsoft. Fynapse will be the only product with its capability to be deeply integrated with Microsoft Dynamics 365 Finance and operate on the Microsoft Azure cloud platform
    - the successful delivery of Fynapse to Aptitude's charter client in the US telco market and their subsequent commitment to a multi-year subscription agreement
- continued strong interest in this new higher margin offering from existing clients, prospects and partners
- MPP Global, acquired in October 2021, is now fully integrated positioning Aptitude to fully realise the opportunity within the subscription management market

Business Highlights:

- Multiple Aptitude Accounting Hub new business successes in banking and insurance, demonstrating that the Group is successfully pivoting away from compliance to meet a growing broader need for finance automation
- Landmark win for eSuite to provide subscription management capability to one of the largest global broadcasters and media content owners
- Further eSuite new business success achieved through both the well-developed channel partners as well as direct sales in both traditional and emerging markets demonstrating the breadth of the product's capabilities
- Continued demand for AREV, Aptitude's revenue management platform, including a multi-year agreement with a US analytics software provider

Outlook:

- The Group remains focused on delivery against three go-to-market pillars: finance digitalization, subscription management and partner execution
- Within finance digitalization the focus is on securing new Fynapse clients, the development of the strategically promising Microsoft partnership and the upcoming go-live of Fynapse's charter client
- Within subscription management, key activities will centre on executing on a number of exciting opportunities with the existing product set and unlocking volume subscriptions in new clients signed in 2022
- We are confident that these activities will lead to an acceleration in the growth of Annual Recurring Revenue which, as the higher margin recurring revenue grows as a proportion of overall revenue, will lead to increases in the Group's overall margins.

Throughout this announcement:

1 Annual Recurring Revenue ('ARR') is the value of Aptitude's recurring revenue at a specific point in time, normalised to a one-year period. ARR includes recurring revenues contracted but yet to commence and excludes recurring revenues which, at that point in time, are being received but are known to be terminating in the future. Included in ARR, for the first time, are recurring revenues from the Group's solution management services, comparatives have been adjusted to include such recurring revenue contracts. The ARR at 31 December 2022 from solution management services was £4.5 million (31 December 2021: £3.4 million).

2 Constant Currency is calculated by comparing the 2022 results with 2021 results retranslated at the rates of exchange prevailing during 2022.

3 Recurring Revenue includes, for the first time (classified as non-recurring services revenue in 2021), revenues from the Group's solution management services, comparatives have been adjusted accordingly. The 2022 revenue from solution management services was £3.8 million (2021: £3.1 million).

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

5 Adjusted Operating Profit and Adjusted Operating Margin exclude non-underlying operating items, unless stated to the contrary. Further detail in respect of the non-underlying operating items can be found within Note 3.

6 Organic Growth excludes the contribution from MPP Global in both 2022 and 2021, the year of its acquisition.

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

Chairman's **Statement**

Overview

Aptitude has made good strategic progress in the year, particularly with Fynapse, the new platform at the heart of the Group's plans for finance digitalization. Launched in March 2022, Fynapse provides clients with next generation digital finance capabilities, while its open architecture allows partners to build practices using Fynapse's core capabilities and cloud native technologies, providing competitive differentiation.

Highlights since the launch of the platform include:

- the signing of a global partnership agreement with Microsoft to deeply integrate Fynapse with Microsoft Dynamics 365 Finance and to market together the combined solution
- the successful delivery of Fynapse to Aptitude's charter client in the US telco market and their subsequent entry into a multi-year subscription agreement
- strong positive interest in this new higher margin offering from existing clients, prospects and partners

This excellent progress provides confidence that, going forward, Fynapse will lead to an acceleration in the growth of Annual Recurring Revenue and enhanced gross margins for the Group.

Aptitude has also completed the full integration of the MPP Global business which was acquired in October 2021. eSuite, the platform brought into the Group with the acquisition, together with our long-standing revenue management platforms provide the Group with strong capability to address the growth driver of subscription management. Several new business successes in the year, together with the benefits arising from the integration, provide confidence that sustained growth can be achieved with this product set to meet growing market demand.

The technology partnership with Microsoft represents a very exciting opportunity for the Group and has the potential to provide a material acceleration in the adoption of Fynapse. With the Group continuing to invest in its high-quality partner network, several new clients have been secured directly by partners in each of the Group's two strategic growth drivers.

As set out in our trading update of 24 January 2023, notwithstanding this good progress, the Board is monitoring the wider economic environment and its potential impact on our clients' and prospects' procurement decisions. As ever, but particularly given the current economic environment, the Board is carefully managing investment levels in the business, whilst maintaining momentum on Fynapse and other strategic priorities.

The Board is considerate of the impact on employees in areas where investment is being moderated, as well as on the wider team. It is therefore important that the Group continues to invest in the support of its talented and committed team. The appointment of a Chief People Officer in April 2022 has led to several initiatives and programmes being launched with a focus on the further development of leadership capabilities and the Group's proposition to, and connection with, its employees. Aptitude remains focused on promoting equality, diversity and inclusion among its workforce with a number of improvements in these areas achieved in the year outlined within the Chief Executive Officer's report.

Board changes

As previously announced, Philip Wood, Deputy Chief Executive Officer and previously Chief Financial Officer, will be retiring from the Board in July 2023. Philip joined the Board in 2007 and after 16 years with the Group is planning a career sabbatical to spend more time with his young family. The Board is very grateful for his key role in transforming the Group to focus on the Aptitude brand and the expansion of the product range, laying the foundations for Fynapse and the addition of revenue and subscription management.

Having previously held a senior finance position within the Group, Mike Johns has stepped up to the role of Acting Chief Financial Officer whilst a formal selection process is conducted. Philip will continue his responsibilities as Deputy Chief Executive Officer until his departure in July.

Dividend

The Board has proposed an unchanged final dividend of 3.60 pence per share (2021: 3.60 pence), making a total ordinary dividend of 5.40 pence per share for the year (2021: 5.40 pence). Subject to shareholder approval at the Group's Annual General Meeting on 17 May 2023, the proposed final dividend will be paid on 16 June 2023 to shareholders on the register at 26 May 2023.

Outlook

The Group is well positioned in its two strategic markets of finance digitalization and subscription management. The milestones achieved with Fynapse in particular provide the Group with confidence in growth and profitability for future years.

Ivan Martin
Chairman
20 March 2023

Chief Executive Officer's **Report**

Introduction

Aptitude's core areas of long-term focus are the accelerating digitalization of the finance function within enterprises, and the global push towards recurring revenue managed through subscription offerings. Aptitude also continues to support clients through complex regulations which often form the catalyst for broader business transformation. The Group's main strength is the ability of its technology and people to handle the complexity other solutions are unable to, put simply "where others see complexity, we see opportunity".

Finance digitalization enables finance leaders to automate legacy manually intensive processes, improve the speed of their function, enhance the quality of its outcomes, and do so at a dramatically lower cost. Aptitude's products draw data from complex, often siloed systems, delivering high levels of automatic processing of complex accounting calculations, and creating a unified view of finance. Businesses are left with a transparent view of their data, delivered at extreme performance and at a significantly lower cost of ownership improving their finance functions' ability to support their short, medium and long term business objectives.

Subscription management is rapidly becoming a strategic imperative for new and traditional businesses alike as they move to or launch a recurring revenue model. Aptitude's products power the acquisition, monetization, and retention of subscribers straight through to complex revenue reporting. With Aptitude, businesses can take new subscription-models to market quickly, retain their high-value recurring revenue, and stay one step ahead of the competition. Whilst the prevalence of business to consumer (B2C) subscription models is increasing, Aptitude also specialises in business to business (B2B) subscriptions with the inherent complexity which the Group is able to manage ahead of its peers.

Our global client base includes some of the world's largest companies, typically organisations with complex business models, large volumes of data, and numerous internal systems. Whilst our products are relevant for all sectors, the Group has established a strong presence in banking, insurance and technology, media and telecom ('TMT') complemented by clients in a series of other new advanced industries.

The business generates revenue from its software through a combination of licence fees (all annual recurring licences), software maintenance/support, software subscriptions for its cloud-based offerings and implementation and other recurring support services including the growing solution management service "Assure". The eSuite product also generates incremental revenue through charging volume-based usage and financial transaction fees.

Software development, together with a growing number of other services, continues to be performed at the Aptitude Global Technology Centres in Poland and in the North West of England. Sales, support and implementation services are provided from Aptitude's offices in London, North West England, North America and Singapore.

Corporate Strategy

Aptitude's strategy is focused on providing innovative finance digitalization and subscription management software serving a growing number of C-suite stakeholders.

The Group progressed a number of strategic activities during 2022, with details of these provided in the sections below. These activities are focused on continuing to drive an acceleration of growth in recurring revenues which represent 68% of overall revenue (2021: 68%). The growth in the proportion of such revenues in the business will, in due course, lead to both an increase in operating margins, given the higher margins achievable from these recurring revenues, and even greater future revenue visibility.

Aptitude is fully focused on its two strategic growth drivers of finance digitalization and subscription management and does not anticipate any corporate activity to broaden its product portfolio in the short term. Notwithstanding this, the Group may, in the future, identify small bolt-on acquisition opportunities to deepen its existing capabilities which Aptitude would be well positioned to progress given its existing cash resources.

Finance Digitalization

Market Drivers

Quality of data, speed of reporting and cost continue to be the top drivers on the CFO's agenda as they are increasingly challenged by the demands of operating in a digital world with growing regulatory and cost pressures. These demands result in an increase in the complexity, volume and number of sources of finance data, and the increasing requirement for decision making to move at the pace of the business in real time. Aptitude’s product set is well positioned to address these requirements.

Finance Digitalization Products

Fynapse, the Group's next generation digital finance platform, was launched in March 2022 with significant milestones achieved in the year. New business success also continues to be achieved with the established Aptitude Accounting Hub and Aptitude Insurance Calculation Engine applications.

The finance digitalization product set, the largest contributor to the Group's recurring revenue base, delivered particularly strong growth in Annual Recurring Revenue in the year with a balanced performance between new business additions and the growth of existing clients through up-sell and price increases. This robust performance underlines the strength of the long-term opportunity with Fynapse for which we continue to see strong pipeline generation across our key industries of banking, insurance and technology, media and telecom.

Fynapse

Fynapse is a modular, cloud native, high performance finance platform addressing an organisations' need to drive finance digitalization to underpin the transformation of their wider businesses. The application builds on the successful Aptitude Accounting Hub, centralising and automating finance, accounting and reporting processes, creating a deep level of operational intelligence for our clients. It delivers a brand-new user centric interface with a consolidated, yet highly granular, view of financial data which enhances business insights to assist decision making. The capabilities of the product enable even greater automation of manual accounting processes, reducing on-going operational costs and driving an improved total cost of ownership for the finance function.

The modular design and ease of integration also allows the market opportunity to extend beyond our current industries into adjacent verticals, shortening typically long implementation cycles and allowing our partner network to implement efficiently, with minimal risk and delivering a faster time to value.

A strategic global partnership with Microsoft, signed in December 2022, is expected to be a material contributor to the success of Fynapse globally in the medium and long term across all industry sectors. Under this agreement Fynapse will be the only product with its capabilities to be deeply integrated with Microsoft Dynamics 365 Finance and operate on the Microsoft Azure cloud platform. This combined solution will provide Aptitude and Microsoft clients with the ability to unify data from various financial systems to increase scalability, gain the agility to rapidly adopt new regulations, automate manual processes whilst delivering better business insights and reducing the cost of the finance function.

In addition to the Microsoft partnership there is strong interest from consultancies who are attracted to the open design of Fynapse. This open design provides partners with the opportunity to co-create and license their own IP built on the Fynapse platform, further accelerating and differentiating their services. It is pleasing to report that this capability is proving an attractive proposition for the Big-4 accountancy firms and is highly differentiated from the more generalist providers in the market.

Fynapse has been successfully delivered to the charter client in the US telco market and a multi-year subscription agreement is now in place. The implementation project with the charter client is progressing well and is expected to go-live in mid-2023 as planned. Additionally, there are a number of pipeline opportunities progressing positively and the Group is looking forward to announcing new users to the platform in 2023.

The strategic investment continues to grow the capabilities of Fynapse with development performed at the Aptitude Global Technology Centre in Wroclaw, Poland. The overall cost of our investment in Fynapse increased in 2022 to £4.9 million (2021: £1.5 million) all of which is expensed. 2023 will see modest growth in investment in Fynapse, with Aptitude's overall research & development expenditure expected to be consistent with 2022.

The Group has confidence in the success of Fynapse which is expected to be a key growth driver for the business in future years.

Aptitude Insurance Calculation Engine

Aptitude Insurance Calculation Engine ('AICE') is a strategic, transformational application providing value to an insurer beyond addressing the requirements of IFRS 17 (effective for accounting periods commencing 1 January 2023). Beyond compliance the application enables data insights and decision support delivering long-term business benefits.

Whilst the expected modest level of new business success was achieved in 2022 with AICE, several existing clients opted to contract for Aptitude's Assure managed services offering. Assure provides clients with additional services beyond

Chief Executive Officer's **Report**

Aptitude's standard offering with its revenues recurring in nature and included within the Group's Annual Recurring Revenue for the first time.

Whilst further new business success may be achieved in 2023, a key focus will be upgrading AICE users to Assure. Projects to implement AICE clients continue with a number expected to complete in the first half of the year in line with the effective date of the IFRS 17.

Aptitude Accounting Hub

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

The Group continued to achieve new business success in 2022 with AAH, both on a standalone basis as well as in conjunction with the sale of the Aptitude Insurance Calculation Engine.

A material new contract with an US headquartered gift and payments company was successfully signed early in the year. Working closely with one of our partners, the opportunity was secured by demonstrating a more configurable and finance enabled solution than our competitors, while also conveying our strong expertise and proven track record at scale in the accounting hub space.

In the second half of the year a material multi-year agreement for the Aptitude Accounting Hub was signed with one of Australia's largest banks to replace their in-house finance data warehouse and underpin their finance transformation programme. Additionally, a contract was secured with a large US insurer prior to the end of 2022 to support their finance digitalization programme.

These clients, together with the European bank contracted in the opening months of 2023, have opted for this product to access existing capabilities in AAH.

Subscription Management

Market Drivers

The subscription economy is continuing to expand into new sectors as the benefits of subscription based recurring income are increasingly valued more than traditional non-recurring revenues. The Group has seen this phenomenon in broader sectors such as high-tech advanced industries, medical devices and automotive. As organisations move to these business models they require new systems to manage these subscriptions and require new capabilities to address the complexities of revenue recognition inherent with complex subscriptions.

Aptitude's products are focused on the needs of the world's largest companies, organisations with highly complex business models and data processing requirements which generalist providers are unable to address.

Subscription Management Products

Whilst good levels of new business success and growth of existing accounts was achieved in 2022, overall Annual Recurring Revenue growth was subdued due to an unusually high level of churn in 2022. Impacting all products within subscription management there are several underlying reasons for the elevated level of terminations, including business failure and corporate events (especially clients being acquired) which are more prevalent in the markets particularly targeted by the subscription management product set. Whilst 2022 has seen a negative impact from the dynamic nature of the markets that are the focus of the subscription management product set, this dynamism has historically delivered, and is expected to do so again in the future, strong organic growth opportunities within the existing client base.

eSuite

eSuite is a modular, cloud based end-to-end SaaS solution for large, international, enterprise customers across the media and publishing sector as well as a growing number of other verticals such as automotive.

The application is focused on the subscription economy and provides identity management, CRM, automated billing, payment processing, and churn management capabilities, enabling businesses to acquire, monetize and optimise customers subscriptions. Now integrated with the Group's revenue management offering, Aptitude can offer an end-to-end subscription, billing & revenue management automation solution which is expected to provide further opportunities for automation and growth within the existing customer base while also supporting new business opportunities. Conversations are continuing with an existing eSuite client to adopt AREV, Aptitude's leading revenue management product, to address their revenue management requirements.

A key highlight for eSuite in the period was the landmark win to provide subscription management capability to one of the largest global broadcaster and media content owners with potential for considerable expansion in Annual Recurring Revenue once the offering is fully launched in 2023. Contributing to securing this new contract was the earlier success achieved with a leading broadcaster and media content owner in the United Kingdom, a project that successfully went live in the first half of the year.

Several new business clients were also secured in the second half of the year across various sectors and regions demonstrating the strength and flexibility of the product. The revenue model for this product is heavily weighted towards usage charges, as a result the addition of these new contracts to Annual Recurring Revenue in the year was insufficient to fully mitigate the impact of the contract cancellations received in the year.

The eSuite team is now fully integrated and benefitting from the expertise and processes of the wider Group. This, together with the pipeline of new eSuite opportunities and the Annual Recurring Revenue generated once the recently secured clients go-live, is expected to lead to an improved performance from this product in 2023.

Aptitude Revenue Management ('ARM')

The ARM applications enable finance teams to automate their revenue management functions to address the demands of the subscription economy, with the market opportunity now extending beyond our current industries into adjacent verticals including high-tech advanced industries and medical devices.

The applications simplify the whole revenue lifecycle, from contract order to revenue recognition, reporting and forecasting and go significantly beyond core IFRS 15 / ASC 606 compliance to allow total control over complex revenue management for all contract types ranging from subscription-based revenue models to complex multi-part or bundled contracts in the business to business space. This capability allows businesses to understand and control centrally the financial impact of all their commercial propositions, the quality of their revenue types as well as providing new and valuable insights to support future business decision making such as the introduction of new products in different markets.

A number of major new business successes were achieved in 2022, a particular highlight being a multi-year agreement for AREV with a very large privately-owned US analytics software provider.

As with eSuite, a higher number of cancellations have been received in 2022 than we had experienced in prior years thereby subduing growth in Annual Recurring Revenue for ARM products. In addition to cancellations arising from corporate activity, the current economic climate has led to a higher level of scrutiny by a very small number of clients of their project pay back periods or external spend resulting in their wider transformation programmes being paused or suspended. Discussions with the small number of affected clients are on-going to agree the basis of cancellation.

Software-as-a-Service ('SaaS') Progression and Margin Evolution

As expected, growth in SaaS Annual Recurring Revenue ('ARR') has accelerated at the faster Constant Currency growth rate of 15% (total ARR Constant Currency growth of 9%) and now represents 44% of ARR (2021: 41%). Whilst all products sold in the year are capable of being deployed by SaaS, for principally regulatory reasons a very small number of clients continue to opt to deploy our technology on their own infrastructure. On-premise ARR grew on a Constant Currency basis by 4%.

Our on-premise clients currently drive the highest gross margins. As previously reported, margins have been impacted by the accelerated adoption of cloud technologies on our traditional solution portfolio given the cost profile of the Group's established products when deployed as SaaS. The launch of Fynapse, with its cloud-native capabilities, is expected to enable significantly higher margins on this solution to be achieved compared to the Group's existing SaaS deployed products and will also enable the migration of the current on-premise clients to this higher margin offering in the medium term.

Solution Management Services ('Aptitude Assure')

This service extends the responsibilities of Aptitude beyond traditional software maintenance services to include those that have typically been performed by the clients' own IT teams. These include the monitoring of system performance,

Chief Executive Officer's **Report**

user administration, release management and functional enhancements. The team providing these remote services to our clients is now of critical mass and able to provide efficiencies to our clients across the majority of the Group's applications.

With several Aptitude Insurance Calculation Engine clients contracting in the year, Constant Currency growth of 32% in the Annual Recurring Revenue ('ARR') was achieved. ARR from this service, now included within the Group's overall ARR and recurring revenues, is £4.5 million (31 December 2021: £3.4 million). With further AICE clients approaching go-live further opportunities exist to continue the successful growth in this service in the year ahead.

Implementation Services

Aptitude provides implementation services to its clients, with the scale of such services depending on the nature of the application, the size of the opportunity and the balance of responsibilities between Aptitude and its partners. The Group's services are provided by a significant pool of highly skilled individuals, providing deep domain and technical expertise which is highly valued by our clients and provide a differentiator compared to our competitors. Demand for implementation services from the Group's on-going projects has been strong in 2022, with clients frequently requesting additional services.

The business continues to expand the enablement of its partner network to facilitate their ability to implement Aptitude's product suite reliably and efficiently. Whilst this enablement will lead to a greater proportion of services being provided by partners, it remains important to maintain a high-quality delivery capability to ensure that the Group can continue to support its partners and provide its expertise to our largest clients who wish to receive our services directly.

Partner Network

The growth and development of Aptitude's high-quality partner network continues to be a strategic priority. Whilst many prospects are sourced directly by the Group's own sales and marketing teams, the global reach of our partners and the depth of their relationships with large businesses provide Aptitude with an increasing number of advanced opportunities, enhanced market coverage and intelligence. In addition to the new business benefits provided by the partner network, the implementation expertise and capabilities of our partners supports the Group's strategic drive to increase software fees faster than its services, leading to a richer revenue mix.

A Big-4 accountancy firm was appointed as charter partner for Fynapse at the time of its launch and has led to a global launch of our partnership to its internal partner community with the development of dedicated centres of excellence for integration capability. We are also enjoying interest from a number of additional partners in the capabilities of Fynapse. A further highlight has been the agreement to provide finance automation to a Big-4 accountancy firm's mergers and acquisitions practice enabling them to accelerate the post-acquisition integration of their clients' finance functions leading to multiple new client engagements.

Whilst the Big-4 accounting firms have global reach, for specific applications in specific jurisdictions it can be beneficial to work closely with more specialised partner organisations. The benefits of this approach are demonstrated by the success the Group is having with its eSuite partners in markets which would be challenging to unlock without the assistance of our partners such as Japan, Middle East and also central Europe.

The technology and go to market partnership with Microsoft is outlined in the section on Fynapse above and provides the Group with a real opportunity to accelerate the adoption of our new platform.

Aptitude Global Technology Centres

Investment continues in the Group's two technology centres in Poland and the North West of England. Overall there were 244 employees at the Global Technology Centre in Poland at 31 December 2022 (31 December 2021: 198) with a further 52 employees (31 December 2021: 45) focused on design, development, implementation and support based in the North West of England. Investment remains focused on both Fynapse and eSuite in these two centres.

The Group's capabilities in Poland provides the Group with continuing cost advantages, however, wage inflation has been significantly higher in this territory than elsewhere within the Group given both the competitiveness of the employment market for technologists in Poland as well as the country's underlying inflation. To help address these pressures, the Group has invested in both local senior management and in the people and talent team to support a number of initiatives to optimise recruitment and retention. The Group's initiatives on retention have been largely successful with employee attrition within the technology centre in Poland during the course of 2022 reducing to 15% (2021: 20%).

Our People

Aptitude's continued progress has been achieved through the talent, commitment and incredible hard work of its people. The Board wishes to thank its employees for both their outstanding commitment and the continued excellent support they provide to the business, clients and partners.

Overall Group headcount increased by 11% in the year to 527 (2021: 476) as the business continued to invest in the evolution of our technology and the strengthening of a number of other teams.

Aptitude remains fully committed to promoting equality, diversity and inclusion among its workforce, and to driving continuous improvements in these areas. During 2022 the Group established a Diversity & Inclusion SteerCo, which is formed of 18 employees across 5 countries. Key milestones and areas of focus for 2022 included the formulation and adoption of a new Equality, Diversity and Inclusion Policy, raising awareness through activities and events and that promote inclusivity, and the launch of a Women in Leadership initiative. The SteerCo has also identified a forward-looking programme of events and objectives for 2023 and beyond.

To ensure the Group carries on attracting employees to work on its strategic priorities, and retaining the most talented of individuals, the business has continued to build on the investments in our people. Particular highlights include:

- introduction of a leadership career framework that defines leadership skills and development at all levels of the organisation from early careers to senior leaders; and
- investment in learning solutions that allow our people, who are operating in a hybrid world, to benefit from more flexible development through investment in learning platforms

Focus Areas for 2023

The Group remains focused on delivery against three go-to-market pillars: finance digitalization, subscription management and partner execution, supported by our ongoing focus on people excellence and financial confidence. Within finance digitalization we are focused on securing new Fynapse clients, the development of the strategically promising Microsoft partnership and the upcoming go-live of Fynapse's charter client. Within subscription management, key activities will centre on executing on a number of exciting opportunities with our existing product set and unlocking volume subscriptions in our 2022 new clients. Underpinning this, our wider partner relationships will continue to deepen as we add further partners to support and market our solutions. Supplementing these pillars, we will continue to invest in our people, seeking to retain and grow our teams capabilities, with an ethos of diversity and inclusion.

We are confident that these activities will lead to an acceleration in the growth of Annual Recurring Revenue which, as the higher margin recurring revenue grows as a proportion of overall revenue, will lead to increases in the Group's overall margin.

Outlook

Overall, we are pleased with both the operational and strategic progress achieved in 2022 and, whilst watchful of the global economic environment, the Board is confident that the Group's performance for 2023 will be in line with its expectations.

Jeremy Suddards
Chief Executive Officer
20 March 2023

Group Financial **Performance**

Revenue

Total revenue grew by 25% to £74.4 million (2021: £59.3 million), organic growth of 14%.

Recurring Revenues

Annual Recurring Revenue ('ARR') grew by 9% on a Constant Currency basis in the year to £51.6 million at 31 December 2022 (31 December 2021: £47.5 million, 30 June 2022: £49.2 million, both restated for the prevailing exchange rates at 31 December 2022).

ARR is the key financial metric for the Group. Included within ARR are Aptitude's annual licence fees and maintenance for its on-premise clients and subscription fees for the Group's SaaS clients. In addition, and included for the first time in 2022, are the Group's revenues from its Solution Management Service offering ('Aptitude Assure'), this offering contributed ARR at 31 December 2022 of £4.5 million (31 December 2021: £3.4 million). Comparatives have been updated accordingly.

Net Retention Rate in the year was 102% (2021: 102%) (measured by the total value of on-going ARR at the year-end from clients in place at the start of the year as a percentage of the opening ARR from those clients on a Constant Currency basis). The Group benefitted from standard inflationary clauses within the majority of its contracts, however, as previously outlined, there were an unusually higher number of cancellations and reductions (e.g. clients reducing their expenditure by removing incremental services) that reduced the benefit of these increases.

Recurring revenues recognised in 2022 increased by 26% to £50.5 million (2021: £40.1 million), representing Organic Growth of 11%. eSuite, the product brought into the Group in 2021 through the acquisition of MPP Global contributed recurring revenue in the year of £8.3 million (2021: £1.9 million).

Recurring revenues, a strategic focus for the Group, continue to grow and now represent 68% of overall revenue (2021: 68%). It is a key part of the Group's strategy to increase this percentage whilst maximising the growth rate of Aptitude's ARR, a strategy which in due course will lead to growth in operating margin given the margin differential between recurring and non-recurring revenues despite the growing SaaS element and the accompanying infrastructure and servicing costs.

Non-Recurring Revenue

Non-recurring revenue, comprised of implementation services and software development, totalled £23.9 million for the year ended 31 December 2022 (2021: £19.2 million) representing 24% overall growth and 21% Organic Growth. In addition to the benefit of the 2021 acquisition of MPP Global, services revenues grew in the year due to 2021 non-recurring revenue being negatively impacted by the disruption to our key markets related to the pandemic. Included within the total non-recurring revenue for 2022 is services revenue generated by eSuite of £1.0 million (2021: £0.4 million).

Research & Development Expenditure

Total expenditure on product management, research & development increased in the year ended 31 December 2022 to £17.0 million (2021: £10.6 million). Of the increase, £3.5 million is attributable to the full year costs of the eSuite team which was brought into the Group as part of the MPP Global acquisition in October 2021. The remaining increase of £2.9 million is principally attributable to the growing investment in Fynapse as well as the impact of the high rate of inflation currently experienced in Poland. Whilst the growth in 2023 of the Group's investment in Fynapse will be modest, the careful management of investment in the broader product set is expected to result in Aptitude's overall research & development expenditure being consistent with 2022 despite the continued inflationary pressures.

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

Operating Profit and Margins

Adjusted Operating Profit for the year ended 31 December 2022 was in line with expectations at £7.5 million (2021: £9.9 million). Adjusted Operating Margin reduced in line with expectation to 10% (2021: 17%) as the Group increased investment in both Fynapse and the integration of eSuite and Aptitude Revenue Management. Operating profit on a statutory basis was £3.7 million (2021: £6.5 million).

In addition to the increased investment outlined above, the accelerated adoption of cloud technologies impacts margin expectations given the cost profile of a number of the Group's products when deployed as SaaS. The launch of Fynapse, with its cloud-native capabilities, is expected to enhance margins.

As with many technology businesses, the Group has experienced increased inflationary pressures within its cost base with inflation particularly strong in Poland, averaging 14% in 2022 (United Kingdom 9%, United States 8%). Whilst the majority of client contracts allow for inflationary increases to be applied to recurring fees, there are a number of exceptions to this including the recently acquired client bases where a project is on-going to move those clients onto the Group's standard inflationary clauses where possible. Furthermore, services' day rates typically can only be increased after the initial implementation for a client has concluded. Overall elevated inflation does not benefit the Group and is one of the contributing factors to the need to carefully manage investment levels across the business whilst ensuring momentum is maintained on the Group's strategic priorities.

Foreign Exchange

With 42% (2021: 51%) of the Group's revenues being generated from North American clients, the majority of which are invoiced in US Dollars, the financial results are impacted by changes in the US dollar exchange rate. Aptitude's 2021 revenue and Adjusted Operating Profit would have been reported at £59.8 million and £10.5 million respectively on a Constant Currency basis (compared to actual result of £59.3 million and £9.9 million). Constant Currency is calculated by comparing the 2022 results with 2021 results retranslated at the rates of exchange prevailing during 2022.

Non-Underlying Items

Non-underlying items of £3.8 million (2021: £3.4 million) are principally related to the £0.4 million (2021: £2.0 million) of final deal and integration costs incurred on the MPP Global acquisition and intangible amortisation of £3.4 million (2021: £1.4 million). The increase in intangible amortisation is attributable to the full year cost relating to the MPP Global acquisition completed in October 2021.

Taxation

The total tax charge before adjusting for the impact of non-underlying and other sundry items of £1.4 million (2021: £1.6 million) represents 19.6% of the Group's profit before tax (2021: 17.1%), broadly in line with the United Kingdom corporate tax rate of 19%.

Statutory Results

The Group reported a profit for the year attributable to equity shareholders of £2.6 million (2021: £5.1 million).

Earnings per Share

Adjusted Basic Earnings per Share decreased, as expected due to the planned investment in the business, by 30% to 9.9 pence (2021: 14.2 pence). As a result of both this investment and an increase in non-underlying costs incurred, Basic Earnings per Share reduced to 4.5 pence (2021: 9.0 pence).

Dividend

A final ordinary dividend of 3.60 pence per share is proposed (2021: 3.60 pence), making a total ordinary dividend of 5.40 pence per share for the year (2021: 5.40 pence).

Balance Sheet

The Group continues to have a strong balance sheet with net assets at 31 December 2022 of £60.5 million (2021: £57.2 million). Following net corporate cash outflows (mainly dividends and loan payments) of £3.8 million in the year, cash at 31 December 2022 was £29.2 million (31 December 2021: £29.1 million) and net funds of £15.9 million (31 December 2021: £16.1 million).

Cash conversion was below the prior year's exceptional performance with the collection of some recurring revenue invoices extending into the new year. Trade receivables at 31 December 2022 increased to £10.1 million (2021: £8.8 million) of which £4.1 million (2021: £1.5 million) were overdue for payment at the year end. Of these overdue balances £2.8 million has been collected at 17 March 2023 with £1.3 million remaining outstanding, of which £1.2 million is either impaired or deferred. DSO (debtor days) increased to 46 at 31 December 2022 (2021: 37).

Notwithstanding the increase in Annual Recurring Revenue the Group's deferred income at 31 December 2022 reduced to £29.6 million (2021: £30.9 million) due to a number of factors. One of the key reasons for the reduction is that for a small

Group Financial **Performance**

number of material new business contracts signed in the final weeks of 2022 (and therefore included in Annual Recurring Revenue at the year-end) invoices were not issued until 2023. An additional contributory reason for the reduction in deferred income is due to multi-year advance payments of Annual Licence Fees by a small number of clients in prior years, resulting in reduced deferred income from these clients at 31 December 2022. No multi-year advance payments were received in 2022.

Philip Wood
Deputy Chief Executive Officer
20 March 2023

Non-Financial Information **Statement**

The following chart summarises where you can find further information on each of the key areas of disclosure required by S414C and s414CD of the Companies Act.

	Related Group policies	Related principal risks	Page
Environmental matters	– Health, safety & environment	– Climate change – Safety	31
Employees	– Security – People	– Talent and capability – Safety	27
Social matters	– Charitable contributions & social sponsorships	– Political risk	17
Human rights	– People – Human rights	– Key personnel – Russian invasion of Ukraine	28
Anti-bribery and corruption	– Anti-bribery & corruption	– Compliance	38

– Non-financial key performance indicators allow us to assess progress against objectives and monitor the development and performance of specific areas of the business. These are set out on page 69.

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

– Full details of the Group's principal risks can be found on pages 22 to 24.

– Disclosures based on the principles of Task Force on Climate-related Financial Disclosures (TCFD) are detailed on pages 32 to 37.

– Disclosures relating to the gender diversity of the Group can be found on page 29.

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

The Directors are aware of their statutory duty to promote the success of the Company, as required by Section 172 of the Companies Act 2006.

As stated in the Act, this means having regard to, amongst other things:

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

This duty underpins the Board's decision-making processes and the Group's strategic direction, with due consideration given to the long-term impact of its decisions on shareholders, employees, customers and wider stakeholders. Practical measures that the Board takes to ensure the interests of these stakeholders are reflected in the Board's decision making process are as follows:

Workforce engagement

The Board is fully committed to ensuring that the opinions of employees across all regions and business areas are regularly sought and factored into its decision-making process. The Group has put in place extensive measures to engage with its employees and these are described in full in the Directors' Report on page 19 including practical examples of how these have been applied during the year. Through these engagement activities the Board is able to gather opinions and ideas from the wider workforce, identify any communication gaps or common areas of concern and address these through the Group's activities.

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

Shareholder engagement

The Board engages with institutional shareholders via investor roadshow programmes which are undertaken via a combination of in person meetings and video conference meetings. Regular updates are received on the views of the Group's major investors and these are factored into the Board's decision-making process and to ensure that the Group's market communications meet investor needs.

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

During 2022 the Group communicated directly with its major investors on the forthcoming renewal of its Remuneration Policy and Executive remuneration arrangements and responded in full to any queries that arose during this process. The vast majority of responses were supportive of the approach being taken. Further details of this consultation process can be found in the Directors' Remuneration Statement on page 52.

Client engagement

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

The Group seeks direct engagement with clients through regular Client Advisory Boards in each region and these directly inform its product development and innovation strategies. The Group also holds CFO Forums for prospective and existing clients to actively engage in wide-ranging discussions around pertinent issues and publishes its Digital CFO magazine offering expert commentary around similar issues. Feedback received from clients through these forums and through regular day to day interaction with the Group's client-facing teams were used to inform the Board's decision making process during the year in relation to product strategy, investment priorities and service delivery models.

Strategic partner engagement

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

During the year, the Group identified a new strategic partnership opportunity with Microsoft in respect of Fynapse and Microsoft Dynamics 365 Finance, and this partnership was formalised in December 2022. Regular two way engagement between Aptitude and Microsoft was undertaken during 2022 to shape this partnership arrangement, for the benefit of both organisations' stakeholders.

Supplier engagement

The Group engages closely with its suppliers and has internal procedures to ensure that appropriate due diligence is undertaken on these firms. Engagement with any new suppliers is subject to a formal process and requires final approval from an Executive Director. Significant supplier contracts of a recurring nature require approval from the Board as a whole. Suppliers are chosen according to their ability to meet the Group's own high standards and to demonstrate values that are consistent with those of the Group. Regular engagement takes place with key suppliers, monitoring their performance against contractual obligations and providing regular feedback in order to foster and support long-term relationships for the benefit of the Group. In the event that delivery standards do not meet the Group's expectations, proactive steps will be taken to communicate and address these directly with the supplier to ensure that there is no detrimental impact upon the Group's activities.

During the year engagement activities with the Group's suppliers included a review of suppliers in conjunction with the integration of MPP Global Solutions into the wider Aptitude group, to ensure that the suppliers for the Group as a whole were best placed to meet is operational needs.

Engagement with the wider community

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

The Group operates a charitable donation scheme whereby it will match the funds raised by employees for specific charities (on a £ for £ basis) up to £500 per event. The Group also supports or organises regular activities to increase awareness and raise funds for its chosen charities both in the United Kingdom and internationally. The Group's charitable activities are co-ordinated by its regional social committees and employees are actively encouraged to partake in them at a regional level. A key focus for us in 2022 was to support the people of Ukraine where we helped to raise funds and donated to a number of charities, as well as supporting employees in Poland to host Ukrainian nationals in their homes. Additionally other key initiatives included sponsoring employees from a number of our locations to take part in the JP Morgan Corporate Challenge and our team in Boston completing a Basketball Hoops challenge, all of these raising money for charities such as NSPCC in the UK, Indigenous Marathon Project in Australia and the Alzheimer's Association in the USA.

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

The environment

As a provider of software solutions, the Group's operations have a relatively limited impact on the environment. However, the Board is committed to implementing measures that will result in incremental improvements to the Group's environmental impact, such as minimising paper usage, considering the environmental credentials of its office spaces and by avoiding unnecessary travel and using video-based meeting facilities where appropriate. The entire workforce is provided with the technology and flexibility to work remotely to minimise travel.

The Board is committed to providing stakeholders with an increasing amount of transparency on its environmental credentials and reports on both its scope 1 and scope 2 carbon emissions. The Group is pleased to report that it has again seen a significant year on year reduction in its carbon emissions this year alongside a number of proactive measures that incrementally reduce its energy consumption. In 2023, the Group intends to undertake a scope 3 footprint analysis and to set science based targets to achieve a net zero position by 2050. Details of the Group's environmental policy and

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

emissions reporting can be found in the Directors' Report on pages 31 to 37. The Group also reports on its compliance with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"), which can be found on page 32.

Maintaining a reputation for high standards of business conduct

The Board is mindful that the continued growth and success of the Group is dependent upon maintaining high standards of business conduct, including:

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

This awareness underpins the formulation of the Group's strategy and is evident throughout the Board's decision making process.

Ensuring that members of the Company are treated fairly

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

Philip Wood, as a Director of the Group, approved all of the Statements contained within the Strategic Report on behalf of the Board.

By Order of the Board

Philip Wood
Deputy Chief Executive Officer

20 March 2023

Report of the Directors

The Directors of Aptitude Software Group plc (the "Company") present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Results and Dividends

The results for the year are set out in the financial statements and notes that appear on pages 90 to 144. As explained in the Chairman's Statement, the Directors propose the payment of a final dividend of 3.6 pence per share, making a total of 5.4 pence per share for the year (2021 total: 5.4 pence). Subject to shareholder approval, the proposed final dividend will be paid on 16 June 2023 to shareholders on the register at close of business on 26 May 2023.

The ordinary dividends paid in 2022 totalled £3.1 million (2021: £3.1 million).

Principal Activities

Aptitude Software Group plc is a specialist provider of finance digitalization and subscription management software. The Company and its subsidiaries together are referred to in this Annual Report as "the Group". The Group's products and services are detailed within the Chief Executive Officer's Report.

Key Performance Indicators

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

Board Changes

Peter Whiting, former Senior Independent Director and Chair of the Remuneration Committee, stepped down from the Board on 28 April 2022. A structured transition plan was executed ahead of Peter's retirement from the Board, as described on page 43.

On 24 January 2023 the Group announced that Philip Wood, Deputy Chief Executive Officer and previously Chief Financial Officer, will step down from the Board in July 2023. Philip joined the Board in 2007 and after 16 years with the Group is planning a career sabbatical to spend more time with his young family. As a result, Mike Johns, who has previously held a senior finance position within the Group, has assumed the role of Acting Chief Financial Officer whilst a formal selection process is conducted. Philip will continue his responsibilities as Deputy Chief Executive Officer until his departure in July 2023. Philip will therefore seek re-election by shareholders at the 2023 Annual General Meeting, but with the understanding that this re-election will only cover the period from the conclusion of the 2023 Annual General Meeting to the date of his resignation from the Board in July 2023.

Future Developments

Details of the Group's future developments are provided within the Strategic Report, see the Chief Executive Officer's Report on page 6 for details.

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to several risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate such risks where feasible. Tools used by the Board to monitor key risks include the regular review of risk-rated dashboards and project status reports, as well as ad-hoc updates on potential emerging risks that could threaten the Group's performance or achievement of its strategic objectives, such as competitor activity and regulatory change. Where new risks are then identified, the potential impact of these are assessed, proportionate mitigating actions are put in place, and these are subject to ongoing review. External advice is sought where appropriate to support this process, such as the activities of the Internal Audit and Improvement Process described on page 47. The principal business risks for the Group, as at 20 March 2023, are set out in the table on pages 22 to 24.

Report of the **Directors**

The Board's ongoing review of emerging potential risks has not identified any beyond those detailed in the Principal Risks and Uncertainties detailed on pages 22 to 24, which includes the impact of future inflationary and interest rate increases upon the Group and the risks associated with volatile macro-economic conditions. In undertaking this review of its Principal risks, the Board also considered the risks associated with COVID-19, the UK's withdrawal from the European Union and climate change. The Board concluded that these risks were not considered to be principal risks, for the reasons explained below:

COVID-19

The direct impact of the COVID-19 pandemic upon the Group in 2021 and 2022 was limited and the Board has no reason to believe that this will change in 2023. While the risk of a resurgence of the pandemic has the ability to impact all members of society, the Group has demonstrated that it is able to continue to operate successfully throughout the pandemic, due to its workforce's ability to work remotely and to continue to sell, implement and develop software. The Group also continued to have minimal exposure through its client base to those industries most severely impacted by the pandemic, such as retail, travel and leisure. This area will continue to be closely monitored, but at present is not considered to be a principal risk.

United Kingdom's withdrawal from the European Union

On 31 January 2020 the United Kingdom left the European Union ("EU"). The transitional period was completed on 31 December 2020 and new rules on trade, travel and business for the United Kingdom and EU took effect on 1 January 2021. Since that date, the impact on the Group of these changes have been minimal. New procedures have been put in place regarding administrative aspects of employee travel between the United Kingdom and EU countries, but these have not had any material impact on the ability of our employees to travel between the Group's regional locations. Any further developments relating to the United Kingdom's regulatory and legal framework will continue to be monitored, but at present the Group is not aware of any such changes that might present a material risk to the business.

Emerging risks including climate change

The Board has also considered whether there are any new emerging potential risks that could have a material impact on the Group, including climate-related risk. For the reasons detailed in the Group's statement on its compliance with the Task Force of Climate-related Financial Disclosures on page 32, exposure to climate-related risk is considered to be low and has therefore has not been classified as an emerging risk in the context of the Group's operations.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and the Directors' Report, the Directors' Remuneration Report, the separate Corporate Governance Statement and the financial statements in accordance with applicable law and regulations.

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Directors' statement pursuant to the Disclosure and Transparency Rules

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

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

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

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

Directors' confirmations

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

Each of the Directors, whose names and functions are listed at the start of this report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom-adopted international accounting standards and company law, give a true and fair view of the assets, liabilities, financial position and profit and losses of the Company;
- the Group financial statements, which have been prepared in accordance with United Kingdom-adopted international accounting standards and company law, give a true and fair view of the assets, liabilities, financial position and profit and losses of the Group; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Board and Committee roles and responsibilities

Details of the key responsibilities of the Board, its individual members and the Committees of the Board are published on the Group's website at www.aptitudesoftware.com/investor-relations/directors-governance/.

Report of the **Directors**

Table detailing Principal Risks and Uncertainties

Principal Risks and Uncertainties	Explanation	Mitigating Action
If the Group does not successfully expand or enhance its product offerings or respond effectively to technological change, the business may be negatively affected.	The Group's future performance will depend on the successful development, introduction and market acceptance of new and enhanced products that address client requirements in a cost-effective manner. If the Group does not expand or enhance its product offerings or respond effectively to technological change, its business may be negatively affected. Additionally, there is a risk that the Group's technology approach will not achieve broad market acceptance or that other technologies or solutions will supplant the Group's approach. Some of the Group's markets are characterised by rapid technology change, frequent introduction of new products, changes in client requirements and evolving industry standards. The launch of Fynapse, Aptitude's next generation strategic digital finance platform, is central to the Group's product strategy. Should the adoption of Fynapse not be as successful an expected, this will impact the Group's future growth and success.	The Group has well-developed product roadmaps for its key software products. The development of the product roadmaps is a result of close liaison with prospects, clients, partners and other organisations. In addition, there is proactive monitoring of forthcoming regulations to identify required changes to existing products and opportunities for the development of new products. Prior to the development and launch of Fynapse, extensive market research and client consultation was conducted, to satisfy the Board that there was sufficient demand in the existing client base and the market generally for the product.
The Group's reputation as a quality professional service provider may be adversely affected by any failure to optimise its deployed products or meet its contractual obligations, client expectations or agreed service levels.	The Group's ability to attract new clients or retain existing clients is largely dependent on its ability to provide reliable high-quality products and services to them and to maintain a good reputation. Because many of the engagements of the Group involve projects that are critical to the business operations and information systems of clients, the failure or inability of the Group to meet a client's expectations could have an adverse effect on the client's operations and could result in damage to the reputation of the Group. Certain contracts may provide for a reduction in fees payable by the client if service levels fall below certain specified thresholds, thus potentially reducing or eliminating the profit margin on any particular contract. If the Group fails to meet its contractual obligations or perform to client expectations, it could be subject to legal liability or damage to its reputation and the client may ultimately be entitled to terminate the contract.	The Group employs highly skilled personnel and has business processes in place to endeavour to ensure that any lapse is quickly identified and addressed. In addition, significant issues and client escalations are reported to senior management and, if appropriate, the Board. The Board reviews monthly dashboards on project delivery and client-related risks.
Demand for the Group's products may be adversely affected if economic and market conditions are unfavourable.	Adverse economic conditions worldwide can contribute to slowdowns in the Information Technology spending environment and may impact the Group's business, resulting in reduced demand for its products as a result of decreased spending by clients and increased price competition for the Group's products. This reduced demand could be attributable to a reduction in the number and impact of accounting and/or regulatory changes that have contributed to recent demand within the business for its products. The Group's revenues, expenses and operating results could vary significantly from period to period as a result of a variety of factors, some of which are outside the Directors' control.	The Group's preferred annual licence fee or subscription model generates recurring revenue which provides some resilience against the full effects of market deterioration. Additionally, the Group operates in multiple geographic regions and, while it has a material exposure to the financial services sector, operates in a number of business sectors. The present macro-economic environment is being monitored closely in conjunction with regular pipeline reviews.

Principal Risks and Uncertainties	Explanation	Mitigating Action
There is substantial competition in the Group's markets which could adversely affect the Group.	Some of the markets for the Group's products are competitive, rapidly evolving and subject to rapid technological change. As a result, the Group expects competition to persist, intensify and increase in the future. There are no substantial barriers to entry into these markets and some of the Group's competitors are large organisations with far greater financial resources than Aptitude. The Group's ability to compete is dependent upon many factors within and beyond the Group's control, including: (a) Timing and market acceptance of new solutions and enhancements to existing solutions developed by the Group and its competitors; (b) performance, ease of use and reliability of the Group's products; (c) price; (d) client service and support; and (e) sales and marketing efforts.	The Group maintains and enhances its competitive position by retaining highly specialised domain knowledge within its chosen markets enabling it to develop, implement and support its market-leading products. The Group constantly seeks to improve the implementation and support services provided to its clients, whilst the Aptitude Innovation Centre located in Poland provides the Group with a cost-efficient and high performing development centre. Market trends are carefully monitored to ensure any threats to the Group's competitive position are identified at the earliest opportunity.
The Group's software products may contain undetected errors producing incorrect results or otherwise fail to process data at sufficient speed.	The Group's products involve sophisticated technology that performs critical functions to highly demanding standards. Software products as complex as those offered by the Group might contain undetected errors or failures. If flaws in design, production, assembly or testing of the Group's products (by the Group or the Group's suppliers) were to occur, the Group could experience a rate of failure in its products that would result in substantial repair, replacement or service costs and potential liability and damage to the Group's reputation. The Group will not be able to be certain that, despite testing by the Group and by current and prospective clients, flaws will not be found in products or product enhancements. Any flaws found may cause substantial harm to the Group's reputation and result in additional unplanned expenses to remedy any defects, and liability stemming from such defects, as well as a loss of revenue and profit.	Development activities including software quality are reviewed in regular meetings with senior management. The Group has established robust development and testing processes and has made a number of recent investments to further strengthen this area of the business.
If the Group loses its key personnel or cannot recruit additional personnel, the Group's business may suffer.	The Group's success greatly depends on its ability to hire, train, retain and motivate qualified personnel, particularly in sales, marketing, research and development, consultancy services and support. The Group faces significant competition for individuals with the skills required to perform the services the Group will offer. If the Group is unable to attract and retain qualified personnel it could be prevented from effectively managing and expanding its business. In addition, if the Group is unable to assign suitably qualified staff to its implementation projects there is increased risk of project failure with the consequences as outlined in the earlier sections.	The Group makes ongoing investments in its employees, including the provision of Group-wide share option schemes, regularly updated Company-wide communication programmes and staff surveys, as well as a focus on strengthening the culture of the business through a number of employee engagement initiatives.
Potential future acquisitions by the Group may have unexpected material adverse consequences.	Acquisitions have been, and continue to be, part of the strategy for the Group. Acquisitions involve numerous risks which may have unexpected material adverse consequences.	Acquisitions are carefully assessed by the Board in respect of their alignment with the Group's acquisition strategy. The Group benefits from significant acquisition experience following the completion of seven acquisitions since 2014 and seeks to perform thorough due diligence, supported by the appropriate use of external advisers, to help identify any unexpected material adverse consequences. MPP Global Solutions was acquired by the Group in 2021 and has now been successfully integrated into the wider Group from an operational perspective.

Report of the **Directors**

Principal Risks and Uncertainties	Explanation	Mitigating Action
The Group's activities may result in the loss or disclosure of client data.	The Group is implementing its products and services for a number of clients where the Group's employees potentially have access to sensitive client data and sensitive data of clients' own clients. There is a risk that there could be unauthorised access to, or disclosure or loss of, such data, whether inadvertently or maliciously. In such circumstances the Group is likely to be subject to legal liability and/or material damage to its reputation and the client may ultimately be entitled to terminate the contract. There is a risk that implementation revenues are impacted and project milestones delayed.	Employees are trained in the importance of data security with background checks performed at recruitment and for certain other roles at regular intervals. A leading third party provider is engaged to undertake ongoing information security training for employees, as well as simulated 'phishing' exercises and monitoring. The Group seeks to continually enhance and invest in its data security arrangements.
Future inflationary increases could affect the Group's margins.	Any significant inflationary increases would quickly impact the Group's cost base, with a delay of potentially over 12 months before increased costs can be passed to clients. Services' day rates typically cannot be increased during the initial implementation for a client.	The inflationary environment continues to be closely monitored, and commercial modelling undertaken to assess the impact of inflationary increases. The Group is able to reduce the exposure in its client contracts with the majority allowing for inflationary increases to be applied to fees.
Future interest rate changes could impact the cost of borrowing.	The Group has a loan with Bank of Ireland (see page 136 for details). Any significant future interest rate changes could impact the cost of borrowing for the Group.	The Group has entered in to an interest rate swap so that there is no change to interest payable pursuant to changes in interest rates. The Group also has significant cash balances and seeks to maximise the interest earned on these (see page 136 for further details).
The risk that the invasion of Ukraine by Russia will have an adverse impact on the Group's activities and operations.	During February 2022, Russia launched an illegal invasion in Ukraine. The humanitarian and economic consequences have been and continue to be significant for both Ukraine and Russia. There is also a risk of potential impact for other countries in mainland Europe.	The Group does not have any operations, employees or clients in either Ukraine or Russia. At present there is no direct impact upon the Group. The Group does have an operational presence in mainland Europe and therefore the situation continues to be closely monitored and business contingency plans have been formulated. These plans will continue to be evolved in response to any significant developments in the situation.
The risk of the failure of key banking counterparties holding the Group's cash balances.	The current economic environment has increased the risk of the insolvency of key banking counterparties as demonstrated by the challenges encountered by Silicon Valley Bank in March 2023, this may lead to loss of all or part of cash held with such counterparty.	The Board regularly reviews its banking counterparties to ensure risk is minimised with the significant majority of the Group's cash resources held with the largest clearing banks in the United Kingdom.

Going Concern and Long-Term Viability Statement

In accordance with Provision 31 of the 2018 UK Corporate Governance Code ("the Code"), the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the "Going Concern" provision as part of our viability review set out below. See page 96 for the Group's assessment on going concern to 31 December 2025, which has been defined as the going concern assessment period. The Board determined that it would be reasonable to perform a review of the Group's cash flows and other key financial indicators of three years and considered this appropriate given the period aligns the Group's viability statement with its planning time horizon in respect of its three-year strategic plan and is suitable given the nature and investment cycle of a technology business. Cash flows over this period have a relatively high degree of predictability, as the business continues to grow its software revenues. Projections beyond this period become less reliable given the inherent uncertainty of technology and market developments, supplemented by the uncertainties surrounding the global economy. The Directors have no reason to believe the Group would not be viable over a longer period. However, due to this uncertainty, the Directors consider a three-year period to be appropriate in forming a reasonable expectation on the Group's longer-term viability.

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

Scenario models are reviewed by the Board and the Audit Committee and are a foundation for the Group's strategic plan. The financial forecasts contained in the plan make certain assumptions about the uptake of new annual licences and subscriptions and the performance of other core revenue streams. As part of the assessment the Group stress tests the plan using various scenarios. To achieve this, management reviewed the principal risks and considered which might threaten the Group's viability. In identifying these principal risks, the Group concluded that the current level of future contracted revenue, totalling £91.4m at 31 December 2022, would require being supplemented by £20.5 million of revenue realised from either new business opportunities or generated from the base across the three year period which is well below planned levels. Across each of the scenarios tested, the Group has also not factored in any structural changes to its cost base being made to ensure it remains viable. It was therefore determined that none of the individual risks would in isolation compromise the Group's viability, and so several different severe scenarios were considered where the principal risks arose in combination.

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

Principal Risks

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

Mitigations

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

Developments in Ukraine

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

Report of the **Directors**

Future inflation increases

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

Climate-related risk

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), the Group has assessed the potential impact of climate related risk on its operations and determined that these to be low. Full details of how the Group complies with TCFD recommendations can be found on page 32.

Other risks

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

Scenario modelling

The likelihood of each principal risk occurring, and the potential impact was modelled across various scenarios by management who evaluated the possible consequences, primarily through a reduction in operating profit, ranging from a reduction of 50% to 70%, and net cash in-flows. These impacts were based on similar events in the public domain and internal estimates. The Directors reviewed and discussed the process undertaken by management, and also reviewed the results of reverse stress testing performed to provide an illustration of the reduction in operating profit across the three year period that would be required in order for the Group to either breach its external loan covenants or exhaust all available cash. Based on this testing it was determined that the current level of future contracted revenue, totalling £91.4 million at 31 December 2022, would require being supplemented by £20.5 million of revenue realised from either new business opportunities or generated from the base across the three year period which is well below planned levels, and therefore undrawn facilitates would not be required to be drawn down. Across each of the scenarios tested, the Group have also not factored in any structural changes to its cost base being made to ensure it remains viable.

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

Application of the 2018 UK Corporate Governance Code

The Board seeks to continually strengthen its existing good governance framework in line with the requirements of the 2018 UK Corporate Governance Code (the "Code"). During the year the additional measures put in place by the Board included:

- further activities that strengthened the Board's engagement with the wider workforce and enabled it to take into consideration the viewpoints and concerns of employees, as described on pages 27 to 28, including onsite employee engagement sessions at the Group's Boston, Wroclaw and United Kingdom offices;
- formulation and adoption of a new Equality, Diversity and Inclusion Policy, as described in detail on page 28;
- a bespoke internally-led annual Board Effectiveness Review, as described on page 45;
- proactive engagement with major investors on the renewal of the Group's Remuneration Policy which will be subject to shareholder approval at the 2023 Annual General Meeting and the approach to Executive Director remuneration, as described on page 54; and
- ensuring a smooth transition of the chairmanship of the Audit and Remuneration Committees, as described on page 44.

Full details of how the Company has applied the principles of the Code throughout the year can be found within the Corporate Governance Statement on pages 43 to 51.

Responsibility for Environmental, Social and Governance matters

All members of the Board, together with senior management and the Company Secretary, take an active role in shaping and monitoring the Group's environmental, social and governance ("ESG") activities and it is appropriate that this responsibility is shared collectively. However, to ensure that ESG matters are given thorough consideration by the Board on an ongoing basis and approached in a co-ordinated manner, the Board has designated an individual Board member with responsibility for the oversight of the Group's ESG activities, to ensure that ESG considerations are fully embedded in the Group's operations, Board processes and strategic direction. This was Philip Wood throughout the year ended 31 December 2022. In view of Philip Wood's pending departure from the business in July 2023, Sara Dickinson, Non-Executive Director and Chair of the Audit Committee, has now taken on this responsibility. In addition to this, Jeremy Suddards, Chief Executive Officer, is the Executive sponsor for the Group's Diversity and Inclusion strategy and activities, as detailed on page 29.

Engagement with supplier and customers

The Group proactively engages with its suppliers, clients and other business relationships on a regular basis, to ensure that relationships function effectively and support the long-term success of the Group. Details of how the Group undertakes this engagement can be found in the Section 172 statement on pages 16 to 18.

Purpose, culture and values

The Group's core purpose is to create a world of financial confidence. This purpose is at the heart of the Group's stated strategy, vision, mission and corporate values, and is clearly articulated throughout the business, across all regions. It would not be possible for the Group to achieve this purpose without intelligent, highly skilled and motivated employees and this awareness underpins its culture of collaboration, innovation, high quality delivery and ongoing personal and professional development for all of its employees. The behaviours and values which underpin the culture of the organisation are embedded in personal objectives at all levels and feature in the Group's employee recognition process. The Group is committed to ensuring that its purpose and values remain relevant and meaningful to employees. Therefore, in September 2022 it launched a project to refresh its values through a series of employee workshops. Over 100 employees voluntarily participated in these workshops, across four regions. The output from these sessions will be used to shape updated values and a culture code during 2023.

Engagement with the workforce

During the year, Barbara Moorhouse and Sara Dickinson were the designated Non-Executive Directors who were jointly responsible for ensuring that effective engagement occurs with the wider workforce. Subsequent to the year end, the Board has agreed that this responsibility will be undertaken by Barbara Moorhouse with support from the Group's Chief People Officer.

During 2022 the Group continued to expand its range of employee engagement activities ensuring that the views and opinions of employees are heard and that its corporate values are upheld. During the year ended 31 December 2022 these activities included:

- onsite visits by the Board to the Group's Wroclaw, Boston, London, Warrington and Manchester offices, including all employee face-to-face engagement sessions with the Non-Executive Directors. Video links were provided to those employees that were not able to attend in person;
- one to one sessions between leadership team members and the Non-Executive Directors;
- regular attendance by members of senior management at Board meetings to present on their respective areas of expertise including sales, product and technology, professional services and people and culture;
- ongoing programme of employee engagement surveys and requests for feedback, the results of which are reviewed quarterly by the Board and on an ongoing basis by senior management;
- regular all employee calls and financial updates with all regions, with frequent Non-Executive Director attendance and contribution. Feedback from employees on the usefulness of these calls and as well as suggestions for future topics; and

- the launch of a new Group-wide leadership programme during the year.

Report of the **Directors**

During the year, the Board took into consideration the interests and viewpoints of employees when developing its policies and approach on people and culture, reward, training and development, diversity and inclusion and employee communications. In January 2023, the Group has also invited all employees to contribute ideas and suggestions on the Group's new objectives framework that will be implemented later this year.

During the year, the Group also continued to evolve online methods of supporting employee engagement and well-being including:

- scheduled programme of regular online team meetings and business updates, with contributions from the wider workforce as well as the senior management;
- online activities such as wellbeing sessions, online competitions, social events and clubs co-ordinated by the Group's regional employee social committees; and
- online employee recognition programme, through which employees are encouraged to recognise behaviours and high quality contributions from colleagues which reflect the Aptitude values.

The Group continues to operate a Save As You Earn Scheme and an International Share Save Scheme for employees across the Group. These schemes encourage the involvement of employees in the Group's performance and this assists in achieving a common awareness on the part of employees of the financial and economic factors that affect the Group's performance. The Board has issued annual invitations to employees to join these schemes and continues to be very encouraged by the high levels of participation amongst employees across the Group. As at 31 December 2022, 48% of the Group's employees were part of its share save schemes.

Equality, Diversity and Inclusion Policy

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

We aim for our teams to be truly representative of all sections of society and to ensure that our clients, partners and each employee feel they belong, that they're respected and able to always present their authentic self.

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

We believe that everyone has a voice at Aptitude and together our diverse voices fuel the very best innovation that's celebrated and admired by others. Creating a culture of belonging, support and trust not only positively impacts everyone at Aptitude, we work with clients and partners who share the same values and this in turn has a positive impact on our business outcomes but also for those we work with.

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

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

The Group is committed to fostering a continuous improvement approach to Equality, Diversity and Inclusion and has identified a number of specific areas of focus for the next three years to support this. These commitments have been shared internally with all employees in conjunction with the communication of the new policy.

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

Diversity and Inclusion strategy and objectives

Progress made during 2022

All members of the Group's senior management team were given Diversity and Inclusion related personal objectives which formed part of their 2022 measurable objectives. Jeremy Suddards, Chief Executive Officer, sponsored the establishment of the Group's Diversity and Inclusion SteerCo, which is comprised of 18 employees across 5 countries. Their focus for 2022 was to progress the areas of Diversity and Inclusion focus identified in 2021 and to turn these into actionable outcomes. The Diversity and Inclusion SteerCo made good progress, with some of their achievements listed below:

- the formulation of the new Equality, Diversity and Inclusion Policy which has been formally approved by both the senior management team and the Board;
- the publication of a Diversity and Inclusion Philosophy to all Aptitude team members, including guidelines on communication to ensure this is in line with the Group's Diversity and Inclusion mindset;
- the launch of a Group internal communication channel 'We are Aptitude' which is used to engage our team members with SteerCo activities, celebrate Diversity and Inclusion across the organisation and embed these into the Group's values and culture; and
- raising awareness through a regular series of activities and events across the whole of the year to promote awareness of Diversity and Inclusion. These included a series of workshops during Neurodiversity Awareness Month, celebrating Women in Leadership and sharing understanding of religious beliefs on days of celebration for a number of different faiths.

Progress we intend to make in 2023

Areas identified by the Diversity and Inclusion SteerCo that will be focused on in 2023 include the following:

- increasing awareness and understanding of the Group's Diversity and Inclusion philosophy, through a programme of initiatives for 2023 that include social media campaigns and a full review of the Group's website;
- rolling out Diversity and Inclusion training across the organisation and the launch of 'Lean-In Circles' during 2023 (these are recognised support networks for small groups of women; their mission being to empower all women to achieve their ambitions, see www.Leanin.org for further information);
- improving transparency in the Group's people philosophies during 2023, including a focus on career development paths and transparent leadership development framework; and
- building upon the Diversity and Inclusion data already held by the Group by proactively encouraging employees to voluntarily update their personal data relating to gender, disability and ethnicity (see below for further information).

Gender diversity

The following table reports on the gender diversity of the Group's employees on 31 December 2022:

	Board Diversity		Top Leadership Diversity		Total Workforce Diversity	
	2022	2021	**2022**	2021	**2022**	2021
Men	**3**	4	**6**	8	**368**	352
Women	**2**	2	**4**	4	**159**	124
Total employees	**5**	6	**10**	12	**527**	476
Men %	**60%**	67%	**60%**	67%	**70%**	74%
Women %	**40%**	33%	**40%**	33%	**30%**	26%

As of 31 December 2022, the Board comprised three male Directors (60%) and two female Directors (40%). The Group's top leadership consisted of six men (60%) and four women (40%). Top leadership is defined as those responsible for the planning, directing and controlling the activities of the Group.

The Board is therefore pleased to confirm that it already complies with the FRC's forthcoming recommendations that at least 40% of the Board is comprised of women, and that one of its top leadership roles is held by a woman (Barbara Moorhouse is the Group's Senior Independent Director).

Report of the **Directors**

The Group has not set itself quantitative targets to increase the gender diversity of its Board and senior management and all appointments will ultimately be made on merit. The Board is nevertheless pleased to be able to demonstrate positive progress in this area over the past 12 months. Every effort is, and will continue to be, made to attract a gender diverse pool of candidates for any senior appointments in order to support and encourage female representation in the Group's leadership team in future years.

The Group continues to take proactive steps to gradually improve female representation throughout the workforce over time and to ensure that female employees are fully supported in their personal and professional development paths and encouraged to flourish and grow within the organisation. This included the launch of its Women in Leadership development programme in December 2022 and ensuring that gender diversity forms part of the Group's current Diversity and Inclusion strategy, as described on page 29.

Gender pay gap reporting

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

The Group undertook its first internal gender pay gap analysis for 4 April 2022 (in line with the Government's annual 'snap-shot' date for gender pay gap reporting). This analysis has been reviewed by the Board and careful consideration was given as to whether to voluntarily disclose data from this analysis in the 2022 Annual Report and Accounts. It was concluded that the 2022 data did not provide a meaningful baseline from which it could accurately measure progress year on year. The primary reason for this is that the Group acquired MPP Global Solutions in October 2021, with these employees now making up a significant proportion of the Group's UK workforce. As the Group does not have comprehensive data relating to variable remuneration for MPP employees prior to the acquisition date, the data is incomplete in this respect. Secondly, the Group undertook an internal restructure during the year, including some changes within senior management, shortly after the snap-shot date.

A further internal gender pay gap analysis will be undertaken for April 2023 which will provide a more meaningful and accurate picture. Based on the indicative findings of the 2022 review, it is anticipated that the 2023 analysis will show that the Group's UK gender pay gap is broadly in line with that of the UK technology sector. Both the 2022 and the 2023 gender pay gap analyses will also be shared with the Group's Diversity and Inclusion SteerCo for its review and consideration.

Broader diversity data

The Group is committed to understanding the diversity of its workforce beyond gender representation and being able to share broader diversity data with its stakeholders. Evolving this data and increasing transparency in this area is one of the Group's stated Diversity and Inclusion objectives for 2023. However, as a global organisation, Aptitude must adhere to regional requirements in terms of how this data is collected and used, and this includes obtaining express permissions from non-United Kingdom employees in certain cases. The regional distribution of the Group's employees as at 31 December 2022 was as follows: Poland 46%; United Kingdom 34%; North America 17%; Singapore 2%; other regions 1%.

The Diversity and Inclusion SteerCo is working proactively with all employees to encourage them to voluntarily share this data in order that it can be used to further improve the Group's understanding of the diversity of its workforce and to inform its Diversity and Inclusion strategy. This work will continue throughout 2023 and it is intended that data on ethnicity and disability diversity for the Group's wider workforce will be published in the 2023 Annual Report.

This year, the Board and senior management is pleased to be able to lead by example and show a commitment to progress in this area by voluntarily disclosing information relating to the ethnicity and disability diversity of the Board and its top leadership team. The ten members of the top leadership team (defined as those responsible for planning, directing and controlling the activities of the Group), were asked to voluntarily disclose their ethnicity and whether they held any disabilities, using descriptors agreed by the Diversity and Inclusion SteerCo. All members of the top leadership team described their ethnicity as 'white'. Nine members responded that they had no disabilities. One member confirmed that they preferred not to say whether they had any disabilities.

The Board is aware that it does not currently comply with the FRC's recommendation that at least one member of the Board be from a non-white ethnic minority background, which it will be required to report against in its 2023 Annual

Report. Any future appointments to the Board will continue to be made on merit, but as is already the case, the Nomination

Committee will proactively seek to access and attract a diverse pool of candidates for consideration during the recruitment process.

Environmental Policy

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

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

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

Energy and Carbon Action

Approach in 2022

During the year, the Group continued to facilitate the following arrangements to minimize its energy usage and emissions:

- hybrid working practices enabling employees to combine remote working with office-based working thereby removing any unnecessary travel to and from offices;
- where appropriate, the implementation of client projects on a remote basis, to avoid unnecessary international travel by employees;
- the use of a data centre in Poland where electricity is purchased from renewable energy sources and the site has an environmental management system that is compliant with the ISO 14001; and
- a key provider of the Group's cloud infrastructure being committed to powering its operations with 100% renewable energy by 2025. Data centres used by the Group in Oregon and Frankfurt are confirmed as being carbon neutral.

2023 and beyond

In early 2023 the Group took the decision to dispose of its Warrington lease, as this large office space was highly under-utilised. The Group will continue to review all property usage over the coming year, to ensure that its leased office spaces are used efficiently and meet the evolving needs of the workforce. When selecting any new or replacement office spaces, environmental considerations are given high precedence in the decision-making process.

This year the Group is also seeking to minimize its paper usage and the associated physical distribution, by encouraging shareholders to receive their communications from the Group, including the Annual Report and Accounts, by electronic, rather than printed means. Printed documents will still be provided to those shareholders that expressly request to continue with paper-based communications, but in the absence of such an election, electronic communications will become the default means of communication. The Board hopes that shareholders will be supportive of this initiative to minimize waste and increase efficiencies for the benefit of both the environment and the business. Please refer to the letter enclosed with this Annual Report for further information.

Climate-related and carbon emissions reporting

The Group currently reports its scope 1 and scope 2 emissions, which can be found on pages 36 to 37. The Group is committed to further evolving its carbon emissions and energy usage analysis and reporting over time and intends to commence scope 3 analysis in 2023. The Group also reports on its compliance with the recommendations of the Task

Force for Climate-related Disclosures (“TCFD”), which can be found on pages 32 to 33. The Group’s TCFD report contains further information about the Group’s approach to climate-related metrics and targets and its path to a net zero position.

Report of the **Directors**

Compliance with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD")

This is the Group's second year of reporting against the recommendations of the TCFD and the Board is pleased to have further enhanced this reporting in line with the recommendations. In recognition of Listing Rule 9.8.6R(8), the following pages set out our climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures as detailed in "Recommendations of the Task Force on Climate-related Financial Disclosures" 2017, with use of additional guidance from "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" 2021. Set out below are the areas where the Group is consistent with the recommendations, or where it is not fully consistent, how it plans to achieve this:

Recommendation	Recommended disclosures	Reference	Compliance	Comments and next steps
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Page 32	Partially consistent	We have reviewed our climate-related governance structure this year and are implementing measures so that from 2023 we will be fully consistent as explained below.
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 32	Partially consistent	
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Page 33	Fully consistent	Progress to be continued in 2023.
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Page 33	Fully consistent	Progress to be continued in 2023.
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 33	Fully consistent	Progress to be continued in 2023.
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 33	Fully consistent	Progress to be continued in 2023.
	b) Describe the organisation's processes for managing climate-related risks	Page 33	Fully consistent	Progress to be continued in 2023.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Page 33	Fully consistent	Progress to be continued in 2023.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate- related risks and opportunities in line with its strategy and risk management process	Page 35	Fully consistent	Progress to be continued in 2023.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Page 35	Fully consistent	In 2023 the Group's intention is to carry out a full scope 3 footprint.
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 35	Partially consistent	It is the Group's intention during 2023 to set science-based targets which are aligned to a 1.5°C pathway for its scope, 1, 2 and 3 emissions.

Governance

Board level

During the year the Board has undertaken a review of its governance processes relating to climate-related risk and identified a number of areas for further enhancement.

Throughout the year, the Board had overall responsibility for the management of climate-related matters, including oversight of climate-related risks and opportunities. For example, the Board considers environmental factors, including impact on climate change, when considering its suppliers (data centres) or new office spaces. From a strategic perspective, Philip Wood, Deputy Chief Executive Officer and previously Chief Financial Officer, has been the designated Director with responsibility for ensuring that the Board fulfils its climate-related obligations throughout the year ended 31 December 2022.

From 2023 onwards, climate-related matters will be discussed bi-annually at Board meetings, including monitoring emissions figures, renewable energy usage, and oversight of other key sustainability initiatives. In view of Philip Wood's pending departure from the business in July 2023, Sara Dickinson, an independent Non-Executive Director and Chair of the Audit Committee, is now the designated Director with responsibility for ensuring that the Board meets its climate-related obligations. The Board is supported and informed on climate-related issues via the Company Secretary, senior management and the Audit Committee.

Management level

At management level, environmental, social and governance responsibilities, including climate-related matter, sit with the Group's senior management team. The senior management team is led by Jeremy Suddards, Chief Executive Officer, and is responsible for providing oversight of sustainability initiatives at an operational level. The senior management team meets monthly but will provide the Board with updates on climate-related issues bi-annually, or whenever pertinent issues arise. These updates could include progress against environmental initiatives as well as updated emissions figures. The senior management team contributes to the identification, assessment, and mitigation of climate risk.

Risk management

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

During the year, climate-related risks and opportunities were assessed in the context of the Group's existing risk management processes (as detailed on page 32) to allow for their relative significance to be determined. The climate-related risk assessment has been carried out over the following time horizons:

- **Short-term:** Now to 2024: Aligns with the Group's shortest office leases.
- **Medium-term:** 2024 to 2027: Aligns with the Group's medium-term office leases.
- **Long-term:** 2027 to 2050: Aligns to the UK Government's Net Zero pledge and the longer-term physical impacts of climate change.

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

From 2023 onwards, the Audit Committee will twice yearly formally review and document principal and emerging risks, including climate change. This assessment takes into consideration the likelihood and potential impact of each risk, allowing the materiality of the risks and opportunities to be determined and identifying those risks which need further investigation.

Strategy

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

Three climate-related scenarios have been selected to understand the impact of climate change on the Group's strategy:

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

1 https://www.iea.org/reports/world-energy-outlook-2022" World Energy Outlook 2022, IEA, Paris
2 IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change

Each of the Group's climate-related risks and opportunities have been analysed and quantified under the three scenarios in line with definitions for risk impact outlined above. The conclusion of this is that the business is resilient to climate change. The need for a fundamental change to business strategy or additional spend as a result of climate change is unlikely to occur. The Group will, however, continue to develop its analysis as new data is made available both internally and externally and it will continue to monitor its climate exposures and action plans through its risk management framework and governance structure.

Report of the **Directors**

Climate-related Risks

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

Risk	1. Carbon pricing in the value chain	2. Reputational risks linked to sustainability performance & reporting
Type	Transition (current and emerging regulation)	Transition (market); policy and legal
Area	Upstream	Own operations
Primary potential financial impact	Increased cost of purchased goods and services and inbound transportation	Reputation, higher cost of capital, lower business opportunities
Time horizon	Medium term	Medium term
Likelihood	Likely	Likely
Impact	Low	Low
Location or service most impacted	Purchased goods and services	Across the Group
Metrics used to track risks	Scope 3 emissions (to be calculated in 2023)	Scope 1 and 2 emissions; external environmental, social and governance ratings.
Risk description and mitigation	The Group's principal value chain emissions originate from our data centre suppliers. As such suppliers come under carbon pricing mechanisms, or carbon border adjustments, this could result in the supplier passing on the added cost from the carbon tax. The Group plans to carry out a full scope 3 footprint analysis to fully understand its upstream emissions exposures. Even without a full scope 3 analysis, there is comfort that three of its primary data centres have targets to be net zero by 2040 at the latest, meaning that a significant portion of its scope 3 emissions footprint will be offset with the achievement of these targets. In addition, the Group have already carried out several initiatives to reduce our scope 3 emission exposure. These include hybrid working to reduce commuting emissions, continuing to implement client projects on a remote basis where appropriate, resulting in an ongoing reduction of international travel by employees, and choosing data centres and cloud infrastructure providers that are committed to purchasing electricity from renewable sources. This potential risk would be greater under the Net Zero 2050 scenario.	There is a rising trend from investors and financial institutions of incorporating sustainability criteria into their assessments, with climate change being the major issue. This is likely to be of greater risk under the net zero 2050 scenario. Investors are aligning their portfolios to net zero as well as other environmental, social and governance metrics and companies face disinvestment if plans are insufficient. Currently our lenders have not tied our debt to sustainability criteria but we will continue to monitor this to ensure we are in line with their expectations on climate-related performance. The Group's current debt levels are also relatively low, and debt facilities have been secured in the medium term. We also continue to monitor our clients' and our employees' expectations in this area.

Consideration of other climate-related risks:

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

Physical risks:

a) Under scenario RCP 8.5, one third of the Group's existing sites are projected to be in high or extremely high water stressed areas by 2040[1]. However, water use is not significant to the Group's operations.

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

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

1 Assessed using the World Resources Institute's ("WRI") Aqueduct Water Risk Atlas tool. Areas of extremely high water stress, according to the WRI definition, are areas where human demand for water exceeds 80% of resources

Transitional risks:

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

Climate-related Opportunities

The following climate-related opportunities have been identified:

Opportunity	**1. Zero emission energy** (e.g. self- generation, Renewal Energy Guarantees of Origin and Power Purchasing Agreements)	**2. Managing resource efficiency** (energy, resource and water efficiencies)
Type	Energy Source	Resource efficiency
Area	Operations	Operations
Primary potential financial impact	Decreased costs	Decreased costs
Time horizon	Medium-term	Medium-term
Likelihood	Likely	Very likely
Impact	Medium-low	Medium
Location or service most impacted	Office buildings	Office buildings
Metrics used to track risks	% renewable energy usage	Energy and waste consumption
Opportunity description and strategy to capitalise	Transitioning to renewable electricity sources (either via self-generation or through contracted electricity supply from power purchase agreements and Renewable Energy Guarantees of Origin certificates ("REGOs")) can help in reducing market-based scope 2 emissions to zero. Investment in self-generation would likely be unfeasible given the Group's relatively short-term lease agreements and energy requirements. As the Group's office locations are not owned, negotiation with landlords or REGOs are required to make the switch to renewables. In the future, the Group can prioritise office locations with high energy efficiency and access to self-generated renewable energy facilities e.g. solar panels, when looking for new office space. This opportunity will be greater under the Net Zero 2050 scenario.	The Group aims to reduce and recycle waste wherever possible and this year there will be a specific focus on reducing the Group's remaining paper-based communications by encouraging more shareholders to receive corporate communications electronically. In addition, improvement of energy efficiency and reduction of energy consumption with the involvement of its landlords will provide further opportunities. The refit of the London office in December 2021 had a key focus on environmental efficiency, going forward the selection of any new or replacement office spaces in the Group's other regions will be approached similarly. This opportunity will be greater under the Net Zero 2050 scenario.

Consideration of other climate-related opportunities

One further potential opportunity was also identified, but deemed immaterial at present. The Group is exploring the application of its products to environmental, social and governance financial reporting obligations and engaging with partners and clients to monitor evolving trends in this area. While it is currently too early to quantify any potential opportunity for the Group in this area, workstreams associated with this initiative will be continued in 2023.

Metrics and targets

The Group currently reports on scope 1 and 2 greenhouse gas (GHG) emissions, calculated in-line with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. It also discloses its emissions intensity and total energy consumption (see page 37).

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

The Board has carefully considered whether it is currently possible for the Group to set quantitative targets during to reduce its emissions by specific amounts over a defined time period. It was concluded that to do this in a meaningful manner, the Board requires a full analysis of the Group's scope 3 emissions footprint and analysis of the initiatives, timing, and strategy required to achieve this ambition, which it will undertake this year.

It is therefore the Group's intention during 2023 to set science-based targets (verified by the Science Based Targets initiative) which are aligned to a '1.5°C' pathway for its scope 1, 2 and 3 emissions. These will include near-term targets and a target for net zero for the Group's own operations and those of its supply chain by 2050, or earlier.

Report of the **Directors**

Energy and Carbon Reporting

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

2022 performance

The Group calculates its environmental impact across scope 1 (direct emissions) and 2 (indirect emissions) emissions sources. Emissions are presented on both a location and market basis. On a location basis our scope 1 and 2 emissions are 244 tCO_2e (2021: 285 tCO_2e), a 14% reduction year-on-year. The Group calculates and tracks emission intensity metrics on a revenue basis. Emissions of 3.3 tCO_2e per £1,000,000 turnover are reported for 2022, a reduction of 31% year on year.

The Board is very pleased to report these further significant reductions is its energy use and associated emissions this year. The move to a new more energy efficient office in London in December 2021 was by far the most significant factor in achieving these reductions. The Energy Efficiency rating of the new office is C, representing a significant improvement on the previous London office space (Energy Efficiency rating of E). The refit of the office received a Gold SKA fit-out sustainability rating. Other contributing factors included the continuation of a hybrid working policy across all offices; and the warmer winter in Europe which is likely to have resulted in lower gas usage in the Poland office this year.

2022 reporting methodology

This section has been prepared for the reporting period of 1 January 2022 to 31 December 2022 using the reporting period of January 2021 to December 2021 for comparison, as well as including the GHG emissions from 2017-2020 as a point of reference.

The Group has defined its organisational boundary using an operational control approach. The Group's figures include all sites, excluding data for the Warrington office, on the basis that the site was acquired in late 2021 and has since been disposed. This approach will also allow for comparability in historic and future reporting years. For transparency purposes, the Warrington site generated scope 1 emissions of 2 tCO_2e, scope 2 emissions (location based) of 6 tCO_2e and used 40,833 kWh of total energy during 2022. If the Warrington office had been included in the Group's 2022 location based emissions, the reduction in total scope 1 and scope 2 (location based) emissions would have been 12%, as opposed to 14%.

GHG emissions have been calculated from business activities in accordance with the principles and requirements of the World Resources Institute (WRI) GHG Protocol: A Corporate Accounting and Reporting Standard (revised version) and Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).

Emissions have been calculated using the appropriate conversion factors (e.g. DEFRA 2022 and IEA 2022).

Emissions and energy usage from 2017 to 2022

	Global emissions tCO_2e[1]						
Emissions source	2017	2018	2019	2020	2021	2022	Group YOY
Natural gas	60	55	53	33	31	26	-16%
Company cars[2]	2	1	2	2	2	–	-100%
Refrigerant	5	4	21	3	–	–	N/A
Total Scope 1	**67**	**60**	**76**	**38**	**33**	**26**	-21%
Scope 2 (Location based)	445	418	444	321	252	218	-13%
Scope 2 (Market based)			568	366	306	289	-6%
Total Scope 1 + 2 Location based	**512**	**478**	**520**	**359**	**285**	**244**	-14%
Total Scope 1 + 2 Market based			644	404	339	315	-7%
Intensity metric, £m turnover				57.3	59.3	74.4	
Normaliser, tCO_2e per £m turnover				**6.3**	**4.8**	**3.3**	**-31%**
Total Energy Usage (kWh)[3]					676,626	517,396	-24%

2021 – 2022 emissions and energy usage comparison

	Global emissions tCO_2e[1]						
Emissions source	FY 2021		FY 2022				
	UK	Global ex UK	UK	Global ex UK	UK YOY	Global ex UK YOY	Group YOY
Natural gas	–	31	–	26	N/A	-16%	-16%
Company cars[2]	–	2	–	–	N/A	-100%	-100%
Refrigerant[3]	–	–	–	–	N/A	N/A	N/A
Total Scope 1	**–**	**33**	**–**	**26**	**N/A**	**-21%**	**-21%**
Scope 2 (Location based)	30	222	7	211	-77%	-5%	-13%
Scope 2 (Market based)	44	262	12	277	-73%	6%	-6%
Total Scope 1 + 2 Location based	**30**	**255**	**7**	**237**	**-77%**	**-7%**	**-14%**
Total Scope 1 + 2 Market based	44	295	12	303	-73%	3%	-7%
Total Energy Usage (kWh)[4]	139,846	536,780	34,810	482,586	-75%	-10%	-24%

1 These figures are in CO_2e including GHGs in addition to carbon dioxide and are partially based on the country-specific CO_2 emission factors developed by the International Energy Agency, © OECD/IEA 2022 but the resulting work has been prepared by Aptitude and does not necessarily reflect the views of the International Energy Agency.
2 During 2022 the Group had no company cars in use.
3 No refrigerants were consumed in 2022 (this having been at the discretion of the landlord of the Group's leased offices during 2022).
4 Energy reporting includes kWh from scope 1 and scope 2, converting units of measure into kWh if required.

Report of the **Directors**

Conflicts of Interest and Whistle-blowing Policy

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

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

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

Political Donations

The Group made no political donations in the year (2021: £nil).

Substantial Shareholdings

In accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority. As at 31 December 2022 and as at 20 March 2023, the Company had been advised of the following notifiable interests in its voting rights:

	Number of shares as at 31 December 2022	% of issued share capital as at 31 December 2022[1]	Number of shares held at 20 March 2023	% of issued share capital as at 20 March 2023[2]
Canaccord Genuity Group Inc.	6,802,632	11.9%	6,834,082	11.9%
Schroders plc	6,778,750	11.8%	6,778,750	11.8%
Mrs C Barbour, Mr B Barbour & Bank of New York Mellon (Brussels (Pooled))	4,409,689	7.7%	4,409,689	7.7%
Invesco Limited	3,104,058	5.4%	3,104,058	5.4%
Long Path Smaller Companies Fund, LP	2,942,587	5.1%	5,740,410	10.0%
Jupiter Fund Management plc	2,739,836	4.8%	2,739,836	4.8%
Herald Investment Management	1,963,889	3.4%	1,963,889	3.4%

1 Calculated by reference to the number of shares in issue as at 31 December 2022, being 57,377,611.
2 Calculated by reference to the number of shares in issue as at 20 March 2023, being 57,377,611.

The number of shares provided in the table above reflect the amounts notified to the Group by each shareholder at the time of the TR1 announcements.

Share Capital

At 20 March 2023 the Company had a single class of share capital which is divided into ordinary shares of 7 1/3 pence each.

Rights and Obligations Attaching to Shares

Voting in Meetings of the Company

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

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

Deadlines for Voting Rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 16 May 2023 are set out in the Notice of Meeting which accompanies this report.

Dividends and Distributions

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

Transfer of shares

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

Change of Control

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

Report of the **Directors**

Amendment to the Articles

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

Appointment and Replacement of Directors

Unless and until otherwise determined by ordinary resolution of the Company, Directors shall be no less than two (2) and no more than ten (10) in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next Annual General Meeting and then shall be eligible for re-election by the shareholders.

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

The Company by ordinary resolution, of which special notice has been given, may remove any Director before the expiration of his or her term of office and the Company may elect another person in place of a Director so removed from office.

The office of Director shall be vacated if:

(i) He or she in writing resigns or offers to resign and the Directors accept such offer;

(ii) an order is made by any court claiming that he or she is or may be suffering from a mental disorder;

(iii) he or she is absent without permission of the Board from meetings for six months and the Board resolves that his or her office is vacated;

(iv) he or she becomes bankrupt or compounds with his or her creditors generally;

(v) he or she is prohibited by law from being a Director;

(vi) he or she is removed from office pursuant to the Articles; or

(vii) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that the Director has become physically or mentally incapable of acting as a Director and may remain so for more than three months.

Repurchase of Own Shares

At the Annual General Meeting held on 28 April 2022 members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 5,720,270 ordinary shares of 7 1/3 pence each.

The minimum price which could be paid for each share was 7 1/3 pence.

The maximum price which could be paid for each share was an amount equal to:

(a) 105% of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Company agrees to buy the shares concerned; or

(b) the higher of the price of the last independent trade of any share and the highest current bid for a share as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (2273/2003).

No shares have been purchased under this renewed authority. A resolution to give the Directors further authority for the Company to purchase its own shares is to be proposed at the forthcoming Annual General Meeting on 17 May 2023.

Significant Contracts

There did not exist at any time during the year any contract involving the Company or any of its subsidiaries in which a Director of the Company was or is materially interested or any contract which was either a contract of significance with a controlling shareholder or a contract for the provision of service by a controlling shareholder. Related party transactions are disclosed on page 144.

Directors

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

Ivan Martin (Chair)
Jeremy Suddards
Philip Wood
Barbara Moorhouse
Sara Dickinson
Peter Whiting (resigned 28 April 2022)

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

Philip Wood will be stepping down from the Board in July 2023, but will nevertheless seek re-election by shareholders at the 2023 Annual General Meeting. This will be conditional upon his re-election continuing only up until his planned departure in July 2023.

The Company has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors. The Directors also have the benefit of the indemnity provision contained at Article 138 of the Company's Articles of Association. Pursuant to this Article 138, the Company has granted indemnities for the benefit of current and future Directors of, and the Company Secretary of, the Company in respect of liabilities which may attach to them in their capacity as Directors of, or Company Secretary of, the Company to the extent permitted by law and also committed to maintain directors' and officers' insurance cover. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 December 2022 and continue in force, in relation to certain losses and liabilities which the Directors (or Company Secretary) may incur to third parties in the course of acting as Directors (or Company Secretary).

Treasury and Foreign Exchange

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

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

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

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

See page 107 for further information on the Group's management of financial risk.

Report of the Directors

Overseas subsidiaries and branches

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

Section 172 Statement

The Section 172 Statement is included in the strategic report across pages 16 to 18 and includes details of how the Directors have had regard for the need to foster good business relationships with customers, suppliers and others.

Auditors and Disclosure of Information to Auditor

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

RSM UK Audit LLP were appointed as auditors on 17 September 2021. A resolution regarding their re-appointment will be proposed at the 2023 Annual General Meeting.

Corporate Governance

The Group's statement on corporate governance is included in the Corporate Governance Statement on pages 43 to 51 and incorporated into this Report of the Directors by reference.

Annual General Meeting

The forthcoming Annual General Meeting will be held at 9.00 am on Wednesday 17 May 2023 at the offices of Aptitude Software Group plc, 8th Floor, 138 Cheapside, London EC2V 6BJ. The Notice of the Annual General Meeting contains the full text of resolutions to be proposed.

Shareholders are also invited to submit questions ahead of the Annual General Meeting. Please refer to the Notice of Annual General Meeting for details of how to appoint the Chairman as a proxy and how to submit questions ahead of the Annual General Meeting.

By Order of the Board

Georgina Sharley
Company Secretary

20 March 2023

Corporate Governance **Statement**

Statement of Compliance

The Group has applied the main principles set out in the July 2018 edition of the UK Corporate Governance Code ("Code"), which is available to view on the website of the Financial Reporting Council (www.frc.org.uk).

The Group has complied with the Code throughout the year ended 31 December 2022. A full statement of compliance with the principles of the Code is on pages 50 and 51.

Board of Directors

Function and operation of the Board

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

All Directors have access to the advice and services of the Company Secretary or a suitably qualified alternative, and all the Directors are able to take independent professional advice, if necessary, at the Company's expense.

The Chairman is responsible for leading the Board, setting its agenda and ensuring its effectiveness. The Chief Executive Officer is responsible for managing the business.

Changes to the Non-Executive Directors and Committee structures during the year

Peter Whiting, former Non-Executive Director, Senior Independent Director and Chair of the Remuneration Committee, did not seek re-election at the 2022 Annual General Meeting, having served on the Board since 2 February 2012.

On 16 March 2022, Barbara Moorhouse, Non-Executive Director and former Chair of the Audit Committee, assumed the responsibilities of Chair of the Remuneration Committee and Senior Independent Director. On the same date, Sara Dickinson stepped into the role of Chair of the Audit Committee.

Future change to Board of Directors

On 24 January 2023 the Group announced that Philip Wood, Deputy Chief Executive Officer and former Chief Financial Officer, will step down from the Board in July 2023. Philip joined the Board in 2007 and after 16 years with the Group is planning a career sabbatical to spend more time with his young family. Having previously held a senior finance position within the Group, Mike Johns is currently performing the role of Acting Chief Financial Officer whilst a formal selection process is conducted for the role of Chief Financial Officer. Philip will continue his responsibilities as Deputy Chief Executive Officer until his departure in July 2023. Following the completion of this selection process the number of Executive Directors on the Board will remain as two.

Independence and re-election of Directors

In accordance with the recommendations of the UK Corporate Governance Code, a majority of the Board is comprised of independent Non-Executive Directors. Non-Executive Directors are appointed for specified terms, up to a maximum of three years, and re-appointment is not automatic. There is a formal selection process to appoint Non-Executive Directors which is led by a separate Nomination Committee.

Barbara Moorhouse is the Senior Independent Director. The Senior Independent Director provides shareholders with someone to whom they can turn if ever they have concerns which they cannot address through the normal channels, for example with the Chairman or Executive Directors. They are also available as an intermediary between other Directors and the Chairman. Whilst there were no requests from Directors or shareholders for access to the Senior Independent Director during the year, the role serves as an important check and balance in the Company's governance process.

Notwithstanding the Company's Articles of Association, all Directors voluntarily offer themselves for annual re-appointment by shareholders, in accordance with the recommendations of the 2018 Corporate Governance Code. While Philip Wood will be stepping down from the Board in July 2023, he will nevertheless seek re-election by shareholders at the 2023

Annual General Meeting, in respect of the period from the conclusion of that meeting through to his resignation as a Director of the Company in July 2023.

The Board considers that all of the current Non-Executive Directors are independent in character and judgement from the management of the Company and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Non-Executive Directors hold periodic discussions without the Executive Directors present, in order to provide a forum in which the performance and actions of the executive team and the wider business can be discussed freely.

Board Committees

The Company has a Nomination Committee, a Remuneration Committee and an Audit Committee. Each of these Committees have written terms of reference which clearly specify their authority and duties and those terms of reference are available upon the Company's website or by written request to the Company.

Nomination Committee

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

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

- review the structure, size and composition of the Board, its Committees and the senior management team, including its balance of skills and experience (including gender balance and broader diversity) and make recommendations to the Board with regard to any changes;
- oversee the process for Board and senior management appointments and recommend new appointments to the Board for approval;
- consider succession for Directors and senior management, including the identification and assessment of potential candidates and making recommendations to the Board for its approval; and
- oversee the annual Board effectiveness review process.

During the year, the Committee met three times, with all members present. In addition to this, a separate meeting to review the effectiveness of the Board was also overseen by the Nomination Committee.

During the year the Committee:

- Carried out a review of the skills of each of the Directors and the independence of each of the independent Non-Executive Directors prior to the 2022 Annual General Meeting and recommended Directors for election or re-election at the 2022 Annual General Meeting;
- undertook a full review of succession plans for the Executive Directors and senior management, considering both short term emergency and long-term planning scenarios, and executive talent management and development;
- oversaw the recruitment and selection of Jennie Mead, Chief People Office. An independent external executive search firm, Paskpartnership was engaged to support this search. None of the Board have any connection with this firm; and
- undertook a structured, internally-led Board effectiveness review.

The Committee's focus in 2023 will be to continue its work in relation to succession planning and executive talent management. This will include overseeing the selection process for the Group's future Chief Financial Officer in view of Philip Wood's pending departure in July 2023.

The Board and the Committee recognises the importance of promoting all aspects of diversity, including gender, throughout the Group. When considering any new appointments to the Board, candidates will be chosen against criteria, including their balance of skills, business experience, independence, qualifications, knowledge, diversity and other factors relevant to the Board operating effectively. Successful candidates are chosen on merit against these criteria, regardless of race, gender or religious beliefs, but every effort is made to ensure that a diverse pool of potential candidates is reached via the recruitment process.

Annual Review of Performance and Effectiveness

The annual review of Board effectiveness for the year ended 31 December 2021 took place on 7 March 2022, as detailed on page 38 of the 2021 Annual Report.

The annual review of Board effectiveness for the year ended 31 December 2022 took place on 3 March 2023. The Committee gave careful consideration as to whether to appoint an independent third party to conduct this review, with regard to both the potential benefits and cost of doing so. On balance, the Committee concluded that it would be most appropriate to undertake an internally facilitated review for the year ended 31 December 2022.

The internally-led review for the year ended 31 December 2022 was comprised of a review of the agreed actions from the previous year's Board effectiveness review including progress made against these; a review of the strategic decisions taken by the Board and its Committees over the past 12 months; a review of the collective effectiveness of the Board and its Committees; and a review of the individual effectiveness of each Board member and the Company Secretary.

The review took the form of a dedicated session held outside of a scheduled Board meeting, and was supported by materials prepared by the Company Secretary that were circulated in advance, including suggested discussion topics and areas that the Board might wish to consider as part of the review.

The review of each individual Director, the Chair and the Company Secretary was undertaken without them being present, taking into consideration performance over the year, their continuing effectiveness and any future development needs. Feedback to Directors was provided on a one-to-one basis by the Chair of the Board. Feedback was provided to the Company Secretary by the Deputy Chief Executive Officer. In the case of the Chair, feedback was provided by the Senior Independent Director.

Actions and objectives were identified from the review and progress against these will be monitored during the year.

Remuneration Committee

Barbara Moorhouse was appointed as Chair of the Remuneration Committee on 16 March 2022. Prior to this, Barbara had served on the Remuneration Committee since her appointment in 2017.

During the year, the Committee also comprised Ivan Martin and Sara Dickinson. The Remuneration Committee's Statement appears on pages 52 to 57 and the Directors' Remuneration Report appears on pages 58 to 80.

The Remuneration Committee ensures that remuneration of the Executive Directors and senior management is fair, proportionate and aligned to the strategy of the Group. The Committee meets regularly without the Executive Directors and senior management present and considers any remuneration decisions in the context of those for the wider workforce and the financial performance of the Group.

Audit Committee

Sara Dickinson was appointed as Chair of the Audit Committee on 16 March 2022. Sara holds extensive recent and relevant financial experience as a Chief Financial Officer and is a qualified accountant. During the year the Audit Committee was comprised of two members, Sara Dickinson and Barbara Moorhouse. In accordance with the recommendations of the 2018 Corporate Governance Code, Ivan Martin does not serve on the Audit Committee, however, he does attend meetings of the Committee in the capacity of an observer.

This Report outlines the Audit Committee's activities and areas of focus during the year.

The Committee provides support to the Board in meeting its statutory responsibilities as set out in the UK Corporate Governance Code, which requires that Audit Committees have competence relevant to the sector in which the Company operates. The Board's view is that the skills and experience of the Audit Committee members are very much relevant to the Group's business, as evidenced by the biographies within the Directors and Advisers page at the front of this report.

The Audit Committee also monitors the integrity of the financial statements of the Company and meets regularly with management and the Company's external auditors to review and monitor the financial reporting process, the statutory audit of the consolidated financial statements, audit procedures, risk management, internal controls and financial matters.

RSM UK Audit LLP (RSM) is the Company's external auditor. RSM have conducted the audit of the Company's financial statements for the financial year to 31 December 2022 and their re-appointment as auditor for the following financial year will be subject to approval by shareholders at the 2023 Annual General Meeting.

External audit partners are rotated every five years (seven years for subsidiary companies). The current external audit partner is Graham Ricketts who was appointed on 17 September 2021.

Corporate Governance **Statement**

The external auditors present in advance of the year end their approach to the forthcoming audit, and present their findings from the audit following the completion of their work. The Audit Committee assesses the performance of the external auditors on an annual basis and based on this review the Audit Committee recommends the appointment, re-appointment or removal of the Company's external auditors to the Board.

The number of meetings of the Committee and the details of attendance by Committee members are set out at page 48. The Executive Directors attended the Audit Committee meetings throughout 2022 by invitation. The Audit Committee meets at least annually with the Company's external auditors without the other Directors present. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee considers that, in some circumstances, the external auditors' understanding of the business can be beneficial in improving the efficiency and effectiveness of advisory work and, therefore, it has been considered appropriate that the external auditors can be engaged for non-audit services related to certain financial matters where permitted by the UK Ethical Standards. Both the Committee and the Board keep the external auditor's independence under close scrutiny. The Committee also continues to keep under review the nature of the work and level of fees paid to the external auditors for non-audit work and considers that this has not affected the external auditors' objectivity and independence. The Committee delegates the authority for approval of such work to the Executive Directors where the level of fees involved is clearly trivial. The Group also receives a formal statement of independence and objectivity from the external auditors each year.

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

Significant Judgements

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

Revenue Recognition

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

These principally comprise:

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

In undertaking their review, the Audit Committee receives both an overview of significant contracts entered into during the course of the year along with a sample of other contracts entered into prior to 2022 which provides the opportunity to discuss the impact and application of each of these assumptions and estimates on the contracts selected. The Audit Committee carefully considered and discussed with the external auditors the revenue recognition on these contracts and concluded that they are satisfied with the accounting treatment.

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

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

Annual Goodwill Impairment Review

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

Development Costs

As the Group continues to grow its product suite it incurs a significant level of associated costs which this year totalled £17.0 million. A key area of judgment in respect of development costs is whether any of these meet the criteria set out in IAS 38 for capitalisation.

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

Tax

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

Internal Audit / Assurance Programme

The Group has an internal audit / assurance process, to focus on key areas of risk, both financial and operational within the business. The Audit Committee, with engagement from the wider Board and senior management, determines the areas of focus for the programme, such as the review of specific business processes and the improvement and testing of operational controls. Specialist external organisations with relevant experience in the technology sector are engaged to support the programme, bringing independence and wider industry knowledge to the process. The results of all work undertaken under the programme are presented to the Audit Committee.

During the year, the primary focus of the programme was a review of the Group's product development function, undertaken by an independent third party firm. The findings of this exercise were presented to the Audit Committee and have been utilised to shape and inform the Group's product development strategy, including resourcing and investment priorities. Progress against the resulting planned product development activities plan is being driven by senior management and is being monitored by both the Audit Committee and the Board.

During the year, the programme activities also included review of the MPP Global Solutions acquisition which was made in October 2021 against the original strategic objectives for the acquisition. From this review it was agreed that progress against these objectives would be reviewed on a six monthly basis.

In 2023, the activities of the programme are expected to include a review of the Group's internal forecasting process, a follow up review on the 2022 review of the product development function, and a follow up review on the findings on of the review of the Aptitude Solutions Delivery Framework undertaken during 2021 to ensure that this remains effective and fit for purpose.

Accounting Standards

There have not been any new accounting standards effective during the year which had any significant impact on the Group's accounting policies and disclosures in these financial statements. The Audit Committee continues to monitor the application of relevant accounting standards to the Group including standards which are not yet effective, engaging with the external auditors on this subject as appropriate. None of the new standards which are effective for periods beginning after 1 January 2023 are expected to have a significant effect on the consolidated financial statements of the Group.

Corporate Governance **Statement**

Audit Committee evaluation

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

Board Attendance

Details of the number of meetings of the Board and its Committees (at which only certain Directors are required to attend) and individual attendances by Directors are set out in the table below.

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings held in 2022	9	4	6	3
Ivan Martin	9/9	4/4	6/6	3/3
Jeremy Suddards	9/9	4/4	6/6	3/3
Philip Wood	9/9	4/4	6/6	3/3
Barbara Moorhouse	9/9	4/4	6/6	3/3
Sara Dickinson	9/9	4/4	6/6	3/3
Peter Whiting (resigned on 28 April 2022*)	2/2	1/1	2/2	1/1

Executive Directors attended some committee meetings by invitation. In the case of meetings of the Remuneration Committee, attendance was for only part of the meetings in question, and the Executive Directors left the meetings when discussions about their own remuneration were taking place.

During the year, a total of 9 additional ad-hoc Board and Board Committee meetings were also held which are not included in the above figures, for the purpose of discussing ad-hoc or time sensitive matters. Furthermore, 5 meetings of a sub-committee relating to the exercise of options under the Company's share option schemes were held.

* Peter Whiting's attendance is shown in relation to meetings held during the year prior to his resignation on 28 April 2022.

Management Meetings

The Group's senior management team meets on a monthly basis and is chaired by Jeremy Suddards, Chief Executive Officer. Quarterly Business Review meetings are also held with regional management teams within the business to monitor financial position, sales activities and operational performance.

Capital Structure

The information required pursuant to the Disclosure Guidance and Transparency Rules is detailed on page 38.

Social, Ethical and Environmental Risks

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

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

Internal Control

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

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

The Group recognises that it operates in a competitive market that can be affected by factors and events outside its control. Details of the principal risks identified by the Group are set out in the table on pages 22 to 24. The Group is committed to mitigating risks arising wherever possible and reviews the risks impacting the business on an ongoing basis. The Board consider that internal controls, rigorously applied and monitored, are an essential tool in mitigating risks.

The key elements of Group internal control, which have been effective during 2022 and up to the date of approval of these financial statements, are set out below:

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

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

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

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

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

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

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

On behalf of the Board, the Audit Committee has reviewed the key risks facing the Group, and the operation and effectiveness of its framework of internal control for the year ended 31 December 2022, and up to the date of approval of the Annual Report.

Corporate Governance **Statement**

Application of the 2018 Corporate Governance Code	
Main Principles	**Group Compliance Statement**
1. Leadership and Company Purpose	
A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Directors bring a broad range of skills and experience to the Board, as shown by their biographies on the inside of the front cover. The Directors' responsibilities are outlined in the Report of the Directors. The Board meets regularly on a formal basis and for additional ad hoc meetings as necessary. The Board ensures that appropriate governance mechanisms are in place to support the delivery of the Group's strategy. These include written terms of reference for the Board and its Committees and effective communication channels between the Board, senior management and the wider workforce to enable strategic objectives to be clearly communicated and progress against these monitored.
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The Group has a clearly articulated corporate purpose, mission, vision and values. The Board ensures that these are clearly communicated, understood and demonstrated across the business. The Board reviews the Group's strategy on a regular basis with input from senior management to shape and implement this.
C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board reviews the Company's performance against its targets and objectives on a monthly basis, with reference to reports and KPIs prepared by the business. The principal risks impacting the Company are set out on pages 22 to 24.
D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	The Chairman and the Executive Directors meet with key shareholders at least annually and seek their views on significant matters relating to strategy and governance. This is undertaken via investor meetings in conjunction with the publication of results, plus individual meetings with key shareholders upon request. Non-Executive Directors are also available to meet institutional shareholders if requested. The Remuneration Committee Chair ensures that major investors are actively consulted with on key remuneration matters and responds to any investor questions on remuneration. The Company arranges for the Notice of the Annual General Meeting and related papers to be sent to shareholders at least 20 working days before the meeting and for other general meetings at least 14 clear days before the meeting. In normal circumstances, all continuing Directors make themselves available at the Annual General Meeting to respond to any questions raised by shareholders in attendance.
E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	During the year, the independent Non-Executive Directors, held joint responsibility for engaging with the wider workforce. The Board, as a whole, reviews engagement activities on a quarterly basis. Subsequent to the year end, Barbara Moorhouse has been appointed as the designated independent Non-Executive Director with responsibility for overseeing wider workforce engagement. Employees are able to raise any concerns with the Senior Independent Director.
2. Division of Responsibilities	
F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	The Chairman is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, including strategic issues. He promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations between Executive and Non-Executive Directors. In addition, he ensures that the Directors receive accurate, timely and clear information through Board materials circulated in advance of Board meetings.
G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making process. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	The Board has an independent Non-Executive Chairman and Executive Directors are responsible for the running of the Group. All of the Non-Executive Directors are considered by the Board to be independent of the management of the Company and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. The Board has included at least three independent Non-Executive Directors (including the Non-Executive Chairman) at all times during 2022. Barbara Moorhouse is the appointed Senior Independent Non-Executive Director ("SID"). The SID provides a sounding board for the Chairman and serves as an intermediary for the other Directors when necessary. The SID is available to shareholders if they have concerns which contact through the normal channels of the Chairman or the Executive Directors fail to resolve or for which such contact is inappropriate. The Chairman periodically holds meetings with the Non-Executive Directors without the Executive Directors being present. Led by the Senior Independent Director, the Non-Executive Directors meet without the Chairman at least annually to appraise the Chairman's performance and on such other occasions as are deemed appropriate. If the Directors have concerns which cannot be resolved about the running of the Company or a proposed action, then they ensure that their concerns are recorded in the Board minutes. On their resignation, a Non-Executive Director must provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns. The responsibilities of each Non-Executive Board member, the Board as a whole, and the Committees of the Board are available to view on the Investor section of the Group's website.
H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	The other significant commitments of the Chairman and the Non-Executive Directors are disclosed in the Annual Report. Any changes to such commitments are reported to the Board as they arise, and their impact explained in the next Annual Report. Executive Directors will not be given permission by the Board to take on more than one directorship in another Company. The terms and conditions of appointment of Non-Executive Directors are made available for inspection. The letter of appointment sets out the expected time commitment. The appointed Non-Executive Directors have undertaken that they will have sufficient time to meet what is expected of them.

I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Board is supplied with management accounts and operational reviews prior to each meeting. The Board ensures that Directors, especially Non-Executive Directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibility as Directors. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

3. Composition, Succession and Evaluation

J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	A separate Nomination Committee, comprising all the Non-Executive Directors (including the Non-Executive Chairman), is responsible for identifying and nominating candidates to fill Board vacancies and for ensuring that succession planning happens on an ongoing basis. A disclosure in relation to the composition and activities of the Nomination Committee under Code Provision 23 is set out on page 44. The Board's approach to Diversity and Inclusion and strategic objectives linked to promoting diversity within the Group can be found on page 29. Details of the diversity of the Board and how the Board will approach any future appointments can be found on page 30.
K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	The Chairman ensures that new Directors receive an induction on joining the Board. Any training needs required by the Directors will be discussed with the Chairman. All Directors have extensive business experience and possess relevant and updated skills and knowledge to perform their duties. Length of service and succession planning for the Board is considered as part of the annual review of Board effectiveness.
L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	An annual review of the effectiveness of the Board, its Committees, the Directors and the Company Secretary is undertaken, prior to Directors being offered for re-election by shareholders. Details of how this review was conducted in respect of the year ended 31 December 2022 can be found on page 45. The Executive Directors also receive an annual performance appraisal as part of the Management Bonus Scheme. The performance of each Board Committee is reviewed on an annual basis. Non-Executive Directors are appointed for specific terms, up to a maximum of three years and re-appointment is not automatic. The Articles of Association require one-third of Directors to retire in rotation at each Annual General Meeting, but all Directors voluntarily offer themselves for annual re-election by shareholders. The Board sets out to shareholders in papers accompanying a resolution to elect a Non-Executive Director the reasons why they believe an individual should be elected. The Chairman confirms to shareholders when proposing re-election that the Non-Executive Director's performance remains effective.

4. Audit, Risk and Internal Control

M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Company operates an internal Assurance and Improvement Programme which is overseen by the Audit Committee and endorsed by the Board. The Audit Committee monitors and assesses the independence and effectiveness of the external Auditor. It does this through feedback from the Executive Directors, senior management and other employees who are involved with the external audit process. Consideration is given to the comprehensiveness of the audit planning documents and the effectiveness of the communication of the audit plan to the Committee. The Audit Committee ensures that it meets with the external Auditor without the presence of the Executive Directors at least once a year. The Audit Committee is comprised of all Non-Executive Directors, excluding the Non-Executive Chair, in accordance with the recommendations of the 2018 Corporate Governance Code. The Audit Committee meets at least three times a year. The Board ensures that at least one member of the Audit Committee has recent and relevant financial experience and that all members have competence and experience relevant to the sector in which the Company operates.
N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Board considers that the Strategic Report and Financial Statements for the year ended 31 December 2022 present a fair and balanced assessment of the Group's performance and conditions.
O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve.	The internal Assurance and Improvement Programme monitors key risk factors impacting the Group. External organisations with industry specific and risk management expertise are utilised to support this programme where appropriate. A summary of the principal risk factors impacting the Group are set out on pages 22 to 24.

5. Remuneration

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	Financial and non-financial objectives are set for Executive Directors and performance against these determine Executive bonus levels. These objectives are directly linked to the purpose and long-term strategy of the Group. The Remuneration Policy is regularly reviewed to ensure that this supports the long-term success of the Group. The current Remuneration Policy was adopted by Shareholders in 2020. An updated Remuneration Policy will be put to Shareholders at the Annual General Meeting to be held in May 2023. The Remuneration Committee has proactively engaged with major investors on the proposed updates to the Remuneration Policy and the implementation of the Remuneration Policy in 2023. Further details can be found on page 52.
Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Remuneration Committee has delegated responsibility for setting the remuneration of the Executive Directors and the Group's senior management, including the Company Secretary. A disclosure in relation to the composition of the Remuneration Committee is set out on page 45. Reference is made to information from independent sources when setting remuneration outcomes, including advice from external remuneration consultants and, if required the Company's Human Resources function.
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Executive Directors were invited to attend parts of the Committee's meetings in 2022, however, no Director was present during a discussion regarding his remuneration. The Remuneration Committee will exercise its powers of discretion, where appropriate, to ensure fair and reasonable remuneration outcomes for Executive Directors in the context of both the Group and individual

	performance. Non-Executive Directors' fees are approved by the Board as a whole.

Directors' Remuneration **Statement**

Introduction

On behalf of the Board, I am pleased to present the Remuneration Committee's ("Committee") report of the Directors' remuneration for the year ended 31 December 2022. This report summarises the Committee's decisions in relation to Directors' remuneration in 2022, describes the proposed updates to the Directors' Remuneration Policy ("Policy"), and details how the Committee proposes to implement the new Policy in 2023.

Business context and wider workforce remuneration

The Group's ability to deliver against its strategic objectives is reliant on having a highly skilled workforce to develop and implement its products. People are therefore at the very centre of our growth strategy. Aptitude is a global company with a relatively small employee population. Our major centres of employment are the UK, Poland and North America with additional staff in other jurisdictions including Singapore and Australia. A number of factors impact recruitment and retention in each of these markets, with current local inflationary trends being an important influence. In April 2022, the Group awarded pay rises having regard to those markets' inflation rates.

We believe that the employment markets for the sector will remain highly competitive in the coming years and we are mindful of this when shaping our recruitment and retention strategies. We have always ensured that our approach to executive remuneration is closely aligned to that of our wider workforce, for example in relation to retirement benefits, and we shall continue to take this approach in 2023 and beyond.

Future Board changes

As explained on page 4, Philip Wood, Deputy Chief Executive Officer and previously Chief Financial Officer, will leave Aptitude in July 2023. The Committee will therefore be responsible for setting the remuneration of a new Chief Financial Officer in 2023 once the formal selection process has been completed. Factors that will be taken into consideration when setting this package will include the level of skill and expertise of the individual, market rates in the sector and the overall remuneration structure for the Group's broader leadership team. Naturally, the arrangements will be in line with our Remuneration Policy and our stated approach to the recruitment of new Executive Directors, as set out on page 44.

Philip will continue to receive his salary, pension and benefits until the date on which he leaves, albeit on a reducing basis as his time commitment to the Group reduces. Philip will not be eligible to earn a bonus for the proportion of 2023 for which he is employed and will not receive a Performance Share Plan ("PSP") award for 2023. In line with the Policy, Philip Wood will retain his Deferred Bonus Plan ("DBP") awards (including those to be granted in respect of the 2022 bonus) and his PSP awards granted in 2018 and 2019 for which the performance periods have ended. These retained PSP and DBP awards will remain subject to the existing timelines. His other PSP awards will lapse.

Our Directors' Remuneration Policy

Our current Directors' Remuneration Policy was approved by shareholders at the Company's 2020 Annual General Meeting, with over 93% of votes in favour of it. The next shareholder vote on the Policy will take place at this year's Annual General Meeting.

The Committee has reviewed the existing policy and has concluded that it remains broadly fit for purpose. The proposed updates will ensure that there is sufficient flexibility in the Policy for the next three years to enable us to attract, retain and incentivise high calibre individuals and maximise the Group's growth potential. Some additional headrooms are therefore being proposed in relation to incentive pay opportunities, to allow for any material trends in recruitment practice and degree of competition in senior executive appointments.

There is no intention to utilise the additional headrooms in the year ended 31 December 2023 or in future years unless a business response is required to employment market trends. The additional headrooms will not be used in relation to the recruitment of Philip's Wood replacement in 2023. However, over the three year period of this policy, we need to ensure that we have sufficient flexibility to address potential market dynamics across our geographic regions.

The proposed amended policy is set out below as Part A of this report. The proposed updates can be summarised as follows:

- **Management Bonus Scheme - Quantum** (annual bonus): In the current Policy, the maximum annual bonus award is 125% of salary. An increase to 150% of salary is proposed. The opportunity will remain at 125% in 2023 and there is no present intention to utilise the additional headroom beyond 2023 unless required.

- **Management Bonus Scheme – Deferral:** The current Policy provides for deferral into shares for two years of 20% of any bonus earned. This will remain unchanged.
- **Performance Share Plan ("PSP"):** The current Policy permits the grant of PSP awards at the maximum of 125% of salary. As with the annual bonus, an increase to 150% is proposed, to ensure we have flexibility over the life of the new Policy. The PSP opportunity will remain at 125% in 2023 and there is no present intention to utilise this additional headroom in future years except in relation to market changes. The 200% of salary exceptional circumstances limit for the PSP will not be increased in the new Policy. A separate resolution will be proposed at the 2023 Annual General Meeting to make a corresponding change to the limit in the PSP rules.
- **Retirement Benefits:** The current Policy provides for the Group to match Director contributions on a 2:1 basis with employer contributions not exceeding 6% of basic salary. In line with usual practice, the current Policy permits a cash allowance in lieu of pension to be provided. The 6% of salary level is consistent with the pension contributions provided to the wider workforce. The new Policy will retain the alignment with the wider workforce, but include a minor new flexibility to increase the contribution if the wider workforce rate is increased.
- **Recruitment Policy:** Each of our Executive Directors has a service contract with a 6 month notice period. In the new Policy, we will include flexibility to set a notice period of up to 12 months for any newly appointed Executive Director, and we would utilise that flexibility only on the basis the notice period was the same from both the new Executive Director and from Aptitude.

The principles of our existing Policy will remain largely unchanged. However, to align with leadership and talent development across all levels of the Company, we are placing additional emphasis to the importance of talent management and employee retention within these. These principles are set out below, with the updated wording shown in bold:

- Ensuring remuneration arrangements support Aptitude's business strategy, **including the attraction and retention of a motivated and talented workforce**.
- Aligning the interests of Executive Directors and senior management with those of the shareholders.
- Encouraging behaviours which will enhance the performance of Aptitude and reward achievement of its strategic and financial goals.
- Determining remuneration by reference to individual performance, experience and prevailing market conditions, with a view to providing a package appropriate to the responsibilities involved.
- Ensuring that an appropriate proportion of the overall remuneration package is incentive pay, which is earned for the delivery of stretching performance conditions.

Approach to Executive Remuneration in 2022

Salaries

The Executive Directors' salaries were increased with effect from 1 April 2022 as disclosed in the 2021 Remuneration Report. Jeremy Suddards' salary was increased to £315,000, being the second part of a phased increase across 2021 and 2022, since his promotion to the Board in September 2019. Philip Wood's salary increased to £266,746 in line with the salary increases received by the wider workforce. The Group's approach to Executive Director salaries for 2023 is discussed on page 58.

Variable remuneration outcomes:

The overall performance of the Group in 2022 is discussed in the Strategic Report on pages 2 to 42.

Management Bonus Scheme

In line with our usual practice, the 2022 maximum bonus opportunity for 2022 was of 125% of salary. As in previous years, 75% of the bonus opportunity was based on performance against financial metrics, being a combination of Annual Recurring Revenue ("ARR") and Operating Profit achieved in the year (weighted 50:50), with the remaining 25% based on non-financial objectives specific to each individual. Details of the financial and non-financial performance measures set for the year ended 31 December 2022 and the achievements against them are set out on page 69.

The Committee determined that Jeremy Suddards' 2022 objectives were partially met and consequently he earned a bonus of £65,707 (20.9% of salary out of a maximum of 125% of salary) for the year ended 31 December 2022.

Directors’ Remuneration **Statement**

Philip Wood’s objectives were also partially met and he earned a bonus of £48,973 (18.36% of salary out of a maximum of 125% of salary) for the year ended 31 December 2022.

20% of each Executive Director’s bonus will again be paid in the form of shares deferred for a period of two years.

Performance Share Plan awards granted in 2022

In our 2021 Directors’ Remuneration Report we said that awards could be granted up to a maximum of 125% of salary. We made our annual grant of PSP awards on 22 November 2022, at 125% of salary for Jeremy Suddards and 100% of salary for Philip Wood. Ahead of making the 2022 grant, we recognised that, given the prevailing share price it was appropriate to reduce the number of shares that would be awarded to each Executive Director, and a 10% reduction to the number of shares was therefore applied. Accordingly on 22 November 2022, Jeremy Suddards and Philip Wood were granted Performance Share Plan awards over 98,300 and 66,593 shares respectively. Philip Wood's award will lapse when he leaves the business in July 2023. The level of the reduction was determined by balancing the experience of shareholders and the need to provide a meaningful incentive to the Executive Directors, which included taking into account the relatively modest starting level of the grant. The Committee retains the discretion to adjust at vesting to ensure that the vesting outcome reflects the overall financial performance of the Group.

The performance conditions for the awards granted in 2022 are 75% attributable to TSR and 25% attributable to EPS growth, which is consistent with the approach taken in 2021. The rationale for the 75:25 weighting is to align the 2022 performance measures with the Group’s strategic focus of maximising revenue growth in order to support long term growth in the Group’s share price. Details of the performance measures are set out on page 69. EPS will be assessed following the end of 2024, with TSR assessed over three years from the date of grant of the awards. The awards will be subject to a two year holding period following the end of the TSR performance period.

Vesting of Performance Share Plan awards

No PSP awards were capable of vesting in respect of a performance period ending in 2022.

Consultation with shareholders

We recognise the importance of engagement with shareholders in relation to our remuneration arrangements. In March 2022, we wrote to our major investors to explain our approach to Executive Director salary increases on 1 April 2022, as had been initially communicated in the 2021 Directors’ Remuneration Report. No significant concerns were raised by investors in connection with our approach.

In relation to our Remuneration Policy, we wrote to our major investors and proxy advisors in December 2022, setting out the proposed updates that will be subject to Shareholder approval at the 2023 Annual General Meeting, and explaining our intended approach to executive remuneration in 2023. We received responses from 12 of the 16 major investors, and were pleased to have the opportunity to listen to their views in relation to our proposals.

I am pleased to confirm that the majority of investors with whom we engaged were supportive of the proposed updates. We would like to thank the investors that took the time to give us specific and direct feedback on their views.

Employee incentivisation and engagement

Remuneration packages for our Executive Directors are focused on meeting performance targets and personal objectives that support the delivery of the Group’s agreed strategy and growth plans. To the maximum extent possible, this approach is extended across the wider leadership team and beyond. For leadership team members this is achieved through participation in the PSP and management bonus scheme. All wider workforce members are eligible to join our Sharesave Scheme and to participate in the Group profit share scheme, sales commission or other variable pay plans (depending upon the nature of their role). Outcomes under each of these schemes and bonus plans are supervised by the Remuneration Committee and the Board.

The Committee engages directly with the Executive Directors to explain the link between the performance measures for the annual bonus (with particular focus on the non-financial measures) and the PSP awards and the Group’s strategy and growth plans. Under the guidance of the Committee, the Executive Directors engage with the senior management on an equivalent basis, via a combination of collective team briefings and one-to-one sessions, which provide the opportunity for discussions and questions on remuneration arrangements. Senior management then cascade this information deeper into the wider workforce as appropriate.

Ongoing feedback is also sought from the wider workforce on a range of satisfaction measures, including pay and benefits through various regular forums and methods, and these results are shared with management and the Committee members on a regular basis.

Approach to Executive Director remuneration in 2023

The Group's approach to remuneration in 2023 will be in line with the Policy and in accordance with the recommendations of the 2018 UK Corporate Governance Code.

As explained above, the updated Policy, which will be subject to Shareholder approval at the 2023 AGM, contains some additional headrooms in relation to incentive pay opportunities to allow for any material developments in recruitment practice and degree of competition in senior executive appointments over the three year life of the policy. There is no intention to utilise the additional head rooms in 2023, nor any intention to utilise these in future years unless significant changes in employment market trends and dynamics require a business response. The additional headrooms will ensure that we have sufficient flexibility to address potential market dynamics across our geographic regions.

Our approach to Executive Remuneration in 2023 will be as follows:

Executive Director base salary increases

Jeremy Suddards' salary will be increased with effect from 1 April 2023 to £326,970, an increase of 3.8%, which is in line with the applied increase being awarded to the UK workforce on 1 April 2023 and below the average increase for the Group's entire workforce. For all our employees, including the wider workforce and the Executive Directors, we maintain a watching brief on the competitiveness of base salary levels and, should these become misaligned, we may look to review and address these, subject to continued strong corporate and individual performance.

Philip Wood will not receive a salary increase on 1 April 2023 in view of his planned departure from the business in July 2023.

Management Bonus Scheme

For 2023, the maximum bonus opportunity for Executive Directors will be 125% of salary, in line with 2022. The level of bonuses earned will be subject to the achievement of appropriate performance measures. 75% of the opportunity will be based on financial performance measures (expected to be based on Operating Profit and Annual Recurring Revenue with an equal weighting) and 25% on non-financial measures linked to the delivery of the Group's key strategic goals. The payment of any bonus in respect of non-financial measures will be conditional on the achievement of a financial underpin. A bonus deferral mechanism will continue to be applied, meaning that 20% of any bonus payment earned will be subject to a deferral period of two years and payable in shares. Philip Wood will not be eligible to earn a bonus for 2023.

PSP awards

The maximum PSP opportunity will be up to 125% of salary, in line with 2022. We will grant PSP awards after the release of the half yearly results and will have regard to share price performance and other relevant factors when confirming the grants. Philip Wood will not receive a PSP award in respect of 2023.

The performance measures will include a relative Total Shareholder Return ("TSR") measure for at least 50% of the award and at least one other financial metric, such as EPS. The TSR measure will compare the Group's TSR performance against a comparator group consisting of the FTSE SmallCap Index (excluding investment trusts) over a three year period from the date of grant, with 25% vesting for median performance rising to 100% for upper-quartile performance. In line with the Group's usual practice, awards are intended to be granted following announcement of the interim results. The weighting of the performance measures and the performance targets for the other financial metric will be disclosed both at grant and in the 2023 Directors' Remuneration Report.

Retirement benefits

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

Looking ahead – key focus areas for the Committee for 2023

A priority for the Committee in 2023 will be to shape the remuneration package for a new Chief Financial Officer to support the formal selection process conducted by the Nomination Committee. In the intervening period, the Committee

Directors' Remuneration **Statement**

is also responsible for ensuring that the remuneration arrangements for the Acting Chief Financial Officer, Mike Johns, are appropriate.

As part of our revised people strategies to support talent management, we will want to consider how best to balance the Remuneration Policy applied to the Executive Directors with the approach to other members of our leadership teams, especially those based in geographies other than the UK. We intend to consider whether there might be new remuneration strategies more appropriate below the level of Executive Directors. For the entire workforce, consideration will also be given to the impact of broader macro-economic factors including inflationary trends.

Reporting and policy requirements

This report comprises:

Part A being the Directors' Remuneration Policy, which sets out our forward-looking remuneration policy for Directors and will be subject to a binding vote at the 2023 Annual General Meeting. Subject to that vote, it will come into force with effect from the close of that meeting; and

Part B being the Annual Report on Remuneration, which provides details of the amounts earned by Directors in respect of the year ended 31 December 2022. This will be subject to an advisory vote at the 2023 Annual General Meeting.

Compliance

This report (comprising this introduction and Parts A and B) has been prepared in accordance with the Companies Act 2006 and The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. It also meets the requirements of the FCA's Listing Rules and the Disclosure and Transparency Rules. The Committee has further adopted the principles of good governance as set out in the 2018 version of the UK Corporate Governance Code, in respect of the year ended 31 December 2022.

The Group employs fewer than 250 employees in the United Kingdom and accordingly is not required to disclose a Chief Executive Officer ("CEO") pay ratio calculation. During 2022 the Remuneration Committee did conduct an initial internal assessment of the CEO pay against the wider workforce. Given that most of its workforce is outside of the UK, the Group established that there is a tension between the desire to measure and voluntarily publish the CEO pay ratio and operating within a global environment in multiple countries. The Group considers that the publication of such a calculation would not provide a meaningful disclosure given the geographical spread of the workforce and the impact of location on appropriate levels of remuneration. However it did conclude that the CEO pay ratio would be below median in comparison to its peer group.

The Group has internal processes in place to ensure that pay levels across the Group are fair in relation to industry levels, role type and also across men and women within the Group. Further details of how the Group ensures this can be found on page 29. Information in relation to wider workforce remuneration is provided to the Committee in order that its decisions on remuneration for Executive Directors and senior management are taken in the context of wider workforce pay.

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

Clarity

Performance metrics and personal objectives for the executive team reflect the Group's targets and strategic objectives and performance against these is scrutinised by the Committee. A balance is thereby achieved between the interests of the Group's shareholders, its wider stakeholders and incentivising the executive team.

Simplicity

The elements of the Group's executive remuneration packages are clearly communicated internally and externally and are in line with accepted market practice, avoiding unnecessary complexities and ensuring transparency. As noted above, during 2023 the Committee will be considering in particular the approach to remuneration arrangements for members of our leadership team other than Executive Directors, having regard to where they are based in addition to other relevant factors.

Risk

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

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

PSP awards granted to Executive Directors are subject to a total vesting period of five years. In-service and post-employment shareholding guidelines and a bonus deferral arrangement are in place to support long term engagement and discourage short-termism.

As explained above, during 2022 the Committee reduced the number of shares subject to the Executive Directors' PSP awards having regard to the share price at the time of grant. This action mitigated the risk of windfall gains arising in respect of these awards.

Predictability

Details of 'minimum', 'on-target', 'maximum', and 'maximum' (with an assumed 50% share price increase) remuneration that may be earned by the Executive Directors in the forthcoming year are clearly shown on page 62.

Proportionality

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

The vesting of Performance Share Plan awards is subject to a financial underpin and the Committee has the ability to vary any formulaic vesting outcomes.

Alignment to culture

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

Directors’ Remuneration **Report**

A. DIRECTORS’ REMUNERATION POLICY (“POLICY”)

This part of the Report sets out the Company’s Directors’ Remuneration Policy, which, subject to shareholder approval at the 2023 Annual General Meeting, shall take binding effect from the close of that meeting. This part of the Report is unaudited.

The differences between this Policy and the Directors’ Remuneration Policy approved at the Company’s 2020 Annual General Meeting and the rationale for them are summarised in the Remuneration Committee Chair’s statement on page 52.

Remuneration policy for Executive Directors

Executive Directors’ Policy Table

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

			subject to the satisfaction of a financial performance underpin.

Executive Directors’ Policy Table (continued)

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

		percentage as is permitted under the applicable legislation).	

Directors' Remuneration **Report**

Notes to the Policy Table

Selection of performance measures

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

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

Operation of share plans

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

Shareholding guidelines

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

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

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

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

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

Malus and clawback

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

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

Remuneration policy for Non-Executive Directors

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

Non-Executive Directors' Policy Table

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fees To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Each Non-Executive Director is paid a basic fee. Additional fees are payable for acting as Senior Independent Director and as Chairman of the Audit and Remuneration Committees and may be paid for other roles or increased time commitments. A fee for the Chairman of the Nomination Committee was introduced with effect from 1 April 2021. The fees paid to the Non-Executive Directors are determined by the Board. Fee levels are determined by reference to fees paid to Non-Executive Directors in similar sized businesses and the expected time commitment and complexity of the role. The Non-Executive Directors are not eligible to participate in the Company's performance-related incentive plans or pension arrangements. Non-Executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs and other benefits that may be considered appropriate.	Non-Executive Director fees are typically reviewed by the Board every year with any adjustments ordinarily effective from 1 April each year. Increases typically do not exceed those of the wider workforce, however, in appropriate circumstances, increases of a higher amount may be made taking into account individual circumstances such as: • an increase in scope or responsibility of the individual's role; • alignment to market level; and • a change in the size or complexity of the business. The maximum aggregate fees for all Non-Executive Directors will remain within the limit permitted by the Company's Articles of Association from time to time.	None.

Remuneration policy for other employees across the Group

The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the scope of the role, level of experience, responsibility, individual performance and pay levels in comparable companies. Interim salary reviews are typically only proposed where an employee has a change in role or the scope of their role increases.

The Group offers four variable pay schemes to permanent employees of the Group who do not participate in the Management Bonus Scheme. These are the Sales Commission Plans, the Consultants' Bonus Scheme, the Variable Compensation Scheme and the Annual Profit Share Bonus Plan. Employees participate in one of these schemes only.

All employees are eligible for potential inclusion in the PSP (subject to approval by the Remuneration Committee) and are eligible to receive option grants. Under normal conditions, performance conditions are consistent for all participants, while award sizes vary by organisational level. Historically, our normal approach has been to apply performance conditions on a consistent basis for all participants in the PSP. Having regard to the international spread of our employees who participate in the PSP, including our growing North American presence, Aptitude may consider making awards of restricted stock to certain non-Board members in the future, as permitted by the existing rules of the PSP. The size of any restricted stock award would be reduced relative to the size of any PSP award and vesting would be subject to continued employment. Due consideration would also be given to generally accepted good practice when issuing and operating any restricted stock awards.

All qualifying employees are offered the opportunity to save and buy shares through the Save As You Earn Scheme or International Sharesave Scheme up to the same maximum level (or substantially equivalent maximum level for employees outside the United Kingdom), thus giving them the opportunity to be shareholders. However, the Executive Directors do not currently intend to participate in the Save As You Earn Scheme.

Directors' Remuneration **Report**

Illustrations of the application of the Executive Directors' Remuneration Policy

The following charts set out an illustration in line with the Policy set out above of the potential remuneration in 2023 for the Executive Directors. For Jeremy Suddards and in line with the regulations, the charts show the potential split between the different elements of remuneration under four different performance scenarios: 'minimum', 'on-target', 'maximum', and 'maximum' with an assumed 50% share price increase.

As Philip Wood will be stepping down from the Board in July 2023 and will neither be eligible to earn a bonus in respect of 2023 nor be granted a PSP award for 2023, the approach to the illustration as it relates to him is different to the approach to the illustrations as it relates to Jeremy Suddards, as Philip Wood will only earn his fixed remuneration, which will not differ depending upon the performance achieved. Accordingly, only one scenario is shown for Philip Wood.

Jeremy Suddards

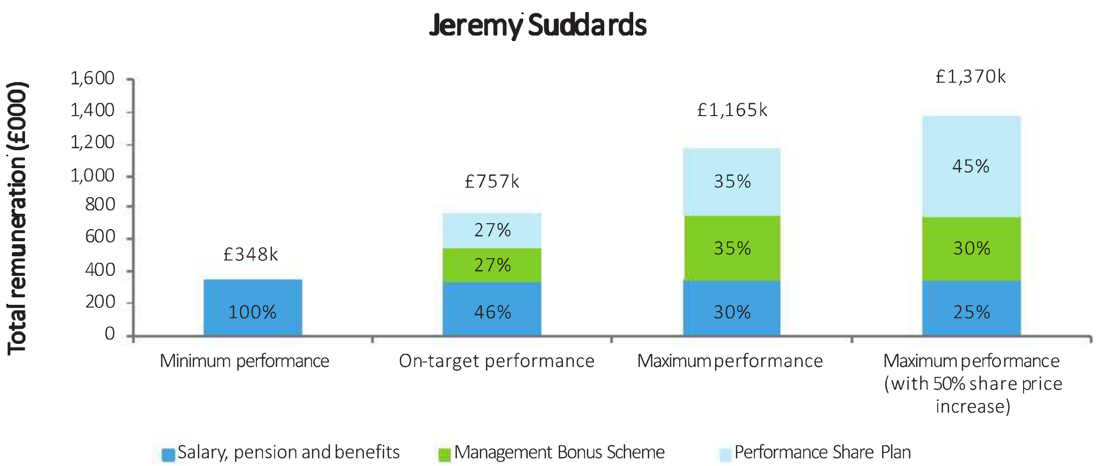
Potential reward opportunities are based on the Policy. For simplicity, the salary for the full year is based on the salary that will apply with effect from 1 April 2023 as referred to on page 68, with pension and incentive opportunities based on this salary. Benefits are based on the 2022 benefits figure from the single total figure of remuneration table on page 68.

The 'minimum' scenario shows basic salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the Executive Directors' remuneration packages which are not at risk.

The 'on-target' scenario reflects fixed remuneration as above plus a target payout of 50% of maximum from the Management Bonus Scheme (i.e. 62.5% of salary, 125% of salary being the maximum). In this scenario it is assumed that Jeremy Suddards is granted PSP awards of a value equivalent to 125% of his basic salary with 50% of the maximum (i.e. 62.5% of salary) ultimately vesting.

The 'maximum' scenario reflects fixed remuneration as above plus full vesting of the Management Bonus Scheme (125% of salary). In this scenario it is assumed that Jeremy Suddards is granted PSP awards of a value equivalent to 125% of his basic salary with the full award ultimately vesting.

The 'maximum' with an assumed 50% share price increase is based on the same assumptions as for the 'maximum' scenario, but with an assumed 50% increase in the share price for the purposes of the PSP element.



Philip Wood

The illustration for Philip Wood is based on the basic salary, pension and benefits (i.e. fixed remuneration) he will earn until the date on which he leaves, with salary and pension calculated by reference to a reducing basis as his time commitment to the Group reduces and benefits based on the 2022 benefits figure from the single total figure of remuneration table on page 68 and then pro-rated to reflect his part year of service in 2023.

Approach to Recruitment of Directors

Executive Directors

When hiring a new Executive Director, or promoting to the Board from within the Group, the Committee will typically align the package with the above Policy. The Committee may, in order to secure the services of a candidate with the suitable skills to execute the Company's strategy, include other elements of pay; however, this discretion is capped and subject to the principles set out below. The maximum level of variable remuneration that may be granted (excluding any "buy-out" award as referred to below) is 350% of salary (assuming a 150% of salary annual bonus, and a PSP award at the exceptional limit of 200% of salary which would only be awarded where necessary to secure a candidate of appropriate quality and experience). Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these remuneration arrangements.

Component	Approach
Basic salary	The basic salaries of new appointees will be determined by reference to the experience and skills of the individual, internal relativities, their current basic salary and relevant market data. Where new appointees have initial basic salaries set below a market competitive level, it may be increased to a market competitive rate over such period as the Committee determines, subject to their development in the role.
Retirement benefits	Retirement benefits will be determined in accordance with the Policy table above.
Benefits	Benefits will be determined in accordance with the Policy table above, and may include relocation, travel and subsistence payments in appropriate circumstances.
Management Bonus Scheme	The scheme described in the Policy table will apply to new appointees with the relevant maximum ordinarily being pro-rated to reflect the proportion of employment over the year. Non-financial performance measures will be tailored towards the individual Executive Director.
PSP	New appointees who have been invited to participate in the PSP will be granted awards as described in the Policy table. In accordance with the Policy table and the plan rules, in exceptional circumstances in order to enable the Company to recruit an Executive with the experience and skills to execute the Company's strategy, awards may be granted up to the level of 200% of salary.
Save As You Earn Scheme	New appointees will be invited to participate in the SAYE Scheme on the same basis as other employees and Executive Directors.

In determining appropriate remuneration packages for new Executive Directors, the Committee will take into consideration all relevant factors (including quantum, the nature of remuneration and where the candidate was recruited from) to ensure that the arrangements are in the best interests of the Company and its shareholders.

An Executive Director may be recruited at a point in a financial year when it would be inappropriate to provide a bonus or long term incentive award for that year (for example, because there would not be sufficient time to assess performance). In these circumstances, subject to the limit on variable remuneration set out above, the quantum of that Executive

Director's bonus or long-term incentive award in respect of the months employed during that financial year may be transferred to the subsequent financial year so that the Executive Director is rewarded on a fair and reasonable basis.

The Committee may alter the performance measures and weightings and vesting, deferral and holding periods of the Management Bonus Scheme and long-term incentive award if the Committee considers that the circumstances of the recruitment merit such an alteration – the rationale will be clearly explained in a subsequent Directors' Remuneration Report.

In addition, the Committee reserves the right to make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met. The Committee will generally seek to structure any buy-out awards or payments on a comparable basis to the forfeited arrangements and to limit any such award to the expected value of the forfeited arrangements.

Share awards will be granted under the Company's existing share plans as far as possible, but the Company may adopt additional arrangements as permitted by the Listing Rules to facilitate the recruitment of an Executive Director.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Committee will use the Policy as set out in the table on page 61. A basic fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or Chairman of the Audit, Remuneration or Nomination Committees or other responsibilities or time commitments as appropriate.

Directors' Service Contracts

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. Each current Executive Director has a rolling service contract with the Group which can be terminated with written notice in accordance with the table below. Such contracts provide for an obligation to pay salary plus pension and benefits for any portion of the notice period waived by the Group. Executive Director service contracts are available to view at the Company's registered office. The Committee reserves the right to offer a notice period of up to 12 months in the case of any Executive Director appointed after the approval of this Policy, provided that the length of the notice period would be the same whether given by the Executive Director or the Company.

Executive Director	Date of service contract	Notice period from the individual	Notice period from the employer
Philip Wood[1]	21 October 2006	6 months	6 months
Jeremy Suddards[2]	29 January 2018	6 months	6 months

1 Philip Wood has tendered his resignation and his employment will cease in July 2023.
2 Jeremy joined the Group in 2018, before joining the Board on 1 September 2019.

The table below summarises how the awards under the Management Bonus Scheme and long-term incentives are typically treated in specific circumstances:

Reason for leaving	Treatment
Management Bonus Scheme	
Retirement, ill-health, disability, death, redundancy or other reasons at the discretion of the Committee	The Committee may consider it appropriate to award a bonus depending on the relevant termination scenario. The payment of any bonus will be subject to the satisfaction of the relevant performance conditions and will ordinarily be reduced to reflect the proportion of the bonus year for which the Executive Director was in service (although the Committee has discretion to waive this time based reduction). Any such bonus will typically be paid following the end of the bonus year, although the Committee retains discretion to pay the bonus at the date of cessation (and to assess performance conditions accordingly).
Other reason	Awards lapse on the date of termination.
Deferred Bonus Awards	
Gross misconduct	Awards lapse on the date of termination.
Other reason	Awards will ordinarily continue and become exercisable on the ordinary vesting date, although the Committee retains discretion to release any such award on the date of termination in appropriate circumstances (such as in the event of cessation due to death or ill-health). In either case, the award will vest in full, unless the Committee determines the award should vest on a pro-rata basis to take account of the proportion of the deferral period that has elapsed at termination.
Performance Share Plan	
Death	Awards can be exercised within 12 months from the date of death (or, if the Committee so decides, from a later date, not being later than the date on which the award would ordinarily have vested) on a pro-rata basis (by reference to the proportion of the performance period that has elapsed) and to the extent that performance conditions have been met (as assessed by the Committee where awards vest before the end of the original performance period). However, the Committee reserves the right to disapply pro-rating.
Ill-health, disability, or redundancy, or any other reason at the discretion of the Committee	*Cessation during the performance period* Awards will ordinarily continue and can be exercised within 6 months from the vesting date at the end of the holding period on a pro-rata basis (by reference to the proportion of the performance period that has elapsed) and to the extent that performance conditions have been met. However, the Committee reserves the right to disapply pro-rating and to allow the early vesting and exercise of an award at the date of cessation (and to assess performance conditions accordingly) or at some other date such as following the end of the performance period if the award would otherwise be subject to a holding period. *Cessation during the holding period* Awards will ordinarily continue and can be exercised within 6 months from the vesting date at the end of the holding period to the extent that performance conditions have been met. However, the Committee reserves the right to allow the vesting and early exercise of the award at the date of cessation.
Other reason	*Cessation during the performance period* Awards lapse on the date of termination. *Cessation during the holding period* Awards will ordinarily continue and can be exercised within 6 months from the ordinary vesting date at the end of the holding period to the extent that performance conditions have been met, unless the cessation is due to misconduct in which case the award will lapse. Where the cessation is other than due to misconduct, the Committee reserves the right to permit the award to vest and become exercisable at the date of cessation.

Change of control

Awards under the PSP may vest and be exercised early on the change of control or other relevant event, or awards may be exchanged for awards in a new company. Where awards vest, they can be exercised on a pro-rata basis (by reference to the proportion of the performance period that has elapsed) and to the extent that performance conditions have been met (as assessed by the Committee), although the Committee reserves the right to disapply pro-rating. Awards under the DBP will vest on a change of control (or may be exchanged for awards in a new company). Options under the Save As You Earn Scheme or International Sharesave Scheme may vest early in the event of a change of control to the extent permitted by the rules of the scheme (or may be exchanged for new options); the rules of the scheme do not permit the exercise of discretion as to the treatment on a change of control.

Other payments

In appropriate circumstances, payments may also be made in respect of accrued holiday, legal fees and outplacement services. The Committee reserves the right to make any other payments in connection with a Director's cessation of office of employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation.

Directors' Remuneration **Report**

Non-Executive Directors' Terms of Appointment

Subject to annual re-election by shareholders, Non-Executive Directors are appointed for an initial term of approximately three years. Subsequent terms of three years may be awarded. Details of the Non-Executive Directors' terms of appointment are shown in the table below and copies of the Non-Executive Directors' terms of appointment are available to view at the Company's registered office. The appointment, re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

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

Legacy arrangements

The Committee reserves the right to make any remuneration payment and/or payment for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed:

1. before the Policy came into effect (and, in the case of a payment agreed on or after 28 April 2014, where the terms of the payment are in line with the directors' remuneration policy applying at the date at which the payment was agreed); or
2. at a time when the relevant individual was not a director of the Company (or other person to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director (or other such person) of the Company.

For these purposes, the term "payment" includes the satisfaction of 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.

Executive Directors – External appointments

The Executive Directors may accept external appointments of non-executive directorship in order to broaden their experience for the benefit of the Company. Such appointments are subject to approval by the Board in each case, and the Executive Director may retain any fees paid in respect of such a directorship.

Consideration of conditions elsewhere in the Company

Although the Committee does not consult directly with employees on Executive Director remuneration policy, the Committee does consider general basic salary increases across the Company, remuneration arrangements and employment conditions, such as pension arrangements, for the broader employee population when determining remuneration policy for the Executive Directors.

Consideration of shareholder views

The Committee is committed to an open and transparent dialogue with shareholders on matters relating to remuneration. When determining remuneration, the Committee takes into account views of shareholders and investor guidelines. The Committee is always open to feedback from shareholders on remuneration policy and arrangements and commits to undergoing shareholder consultation in advance of any significant changes to remuneration policy. Details of the shareholder consultation that was undertaken in relation to the proposed updates to the Remuneration Policy which will be subject to shareholder approval at the 2023 Annual General Meeting can be found on page 54.

B ANNUAL REPORT ON REMUNERATION

The following section provides details of how the Company's Remuneration Policy was implemented during the year ended 31 December 2022 along with information on how the Policy is to be applied in 2023 and other required disclosures. The sections of the report which are audited are clearly identified as such in the section heading.

Role of the Remuneration Committee

The Committee's primary function is to ensure that the delivery of the Company's strategy is supported by the Company's Remuneration Policy ("Policy"). The Committee's responsibilities during 2022 included:

- Ensuring the Company's existing Policy was appropriately implemented during the year;
- reviewing the Company's existing Policy and shaping proposed updates to this, prior to consulting with major investors on this subject;
- approving remuneration packages for each of the Executive Directors, senior management and the Company Secretary;
- determining the terms on which Performance Share Plan ("PSP") awards are made; and
- reviewing and setting performance targets for incentive plans.

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

Remuneration Committee membership in 2022

The membership of the Remuneration Committee as at 31 December 2022 comprised Barbara Moorhouse (Committee Chair), Ivan Martin and Sara Dickinson.

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

The Committee held 6 scheduled meeting, plus a number of additional ad hoc meetings for the purpose of approving specific matters, such as share option exercises, during the financial year. Details of members' attendance at meetings are provided in the Corporate Governance section on page 48.

Directors' Remuneration **Report**

Single total figure of remuneration (audited)

Executive Directors

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2022 and the prior year.

	Jeremy Suddards		Philip Wood	
	2022 £	2021 £	**2022 £**	2021 £
Basic Salary	307,500	276,250	258,769	250,880
Taxable Benefits[1]	1,286	1,344	1,716	1,860
Pension[2]	17,100	15,000	15,170	14,700
Management Bonus[3]	65,707	167,081	48,973	156,129
Long Term Incentives[4]	–	118,732	–	87,266
Total	391,593	578,407	324,628	510,835
Total Fixed Remuneration	325,886	292,594	275,655	267,440
Total Variable Remuneration	65,707	285,813	48,973	243,395

1 Taxable benefits consist primarily of private healthcare insurance.
2 The Company paid £17,100 to Jeremy Suddards (2021: £15,000) and £15,170 to Philip Wood (2021: £14,700) into a self–invested personal pension scheme.
3 See below for details of bonuses earned under the Management Bonus Scheme in respect of 2022.
4 In the 2021 Directors' Remuneration Report, the value of the awards vesting in respect of the performance period ended 31 December 2021 was calculated by reference to the three month average share price up to 31 December 2021 (being £5.904). The values have been updated to reflect the share price on the date of vesting (13 May 2022), being £3.30. No share options have vested in relation to a performance period ended 31 December 2022.

Non-Executive Directors

The table below sets out a single figure for the total remuneration received by each Non-Executive Director (including Ivan Martin, Non-Executive Chairman) who served during the year ended 31 December 2022 and the prior year. As the Non-Executive Directors do not participate in any variable remuneration arrangement, separate sub-totals for fixed and variable remuneration are not included.

	Ivan Martin		Barbara Moorhouse		Sara Dickinson[2]		Peter Whiting[3]	
	2022 £	2021 £	**2022 £**	2021 £	**2022 £**	2021 £	**2022 £**	2021 £
Basic Salary[1]	154,584	146,195	49,901	47,194	49,901	11,981	15,182	47,194
Committee Fees	6,247	4,500	14,223	8,390	7,136	–	3,728	14,283
Total	160,831	150,695	64,124	55,584	57,037	11,981	18,910	61,477

1 Non-Executive Directors' fees were increased with effect from 1 April 2022 as disclosed in the 2021 Directors' Remuneration Report.
2 Sara Dickinson was appointed as a Non-Executive Director on 1 October 2021.
3 Peter Whiting stepped down from the Board on 28 April 2022.

Incentive outcomes for the year ended 31 December 2022 (audited)

Management Bonus Scheme in respect of 2022 performance

The 2022 Management Bonus Scheme for Executive Directors is determined by the Committee by reference to the Group's financial performance (as regards 75% of the opportunity, being a maximum of 93.75% of salary) and the achievement by each Executive Director of non-financial performance measures (as regards 25% of the opportunity, being a maximum of 31.25% of salary) with a maximum overall opportunity of 125% of salary. 20% of the bonus earned is payable in the form of shares, deferred for two years. The deferred shares will be granted following the release of the 2022 Annual Results.

Financial performance measures (75% of the bonus opportunity)

The table below details the financial performance conditions that were set for the business for 2022.

Jeremy Suddards' and Philip Wood's Management Bonus Scheme entitlements were calculated by reference to these performance conditions.

Measure	Weighting	Threshold at which bonuses accrued	On-target performance level	Stretch performance Level	Actual performance level	Bonus earned (% of salary)
Recurring revenue base[1]	50% of the financial measures opportunity	£47.8m	£50.8m	£53.9m	£47.1m	0%
Operating profit[2]	50% of the financial measures opportunity	£7.5m	£8.7m	£11.1m	£7.8m	5.9%

1 The recurring revenue base target was set on a constant currency basis, using a planned conversion rate from USD of 1.35. The actual reported result of £47.1 million was converted using the prevailing year end USD rate of 1.21. The actual performance of £47.1 million excludes the contribution from the Group's solution management services of £4.5 million, which if added equals the disclosed Recurring Revenue of £51.6 million.

2 Operating profit has been adjusted to remove the impact of any non-underlying items. The target and actual operating profit amounts are shown prior to any adjustments for the Management Bonus Scheme.

Non-financial performance measures (25% of the bonus opportunity)

The performance of Jeremy Suddards and Philip Wood was assessed by the Remuneration Committee against a number of metrics reflecting the Board's key strategic goals for the year, as stated below. The non-financial element of the Management Bonus Scheme was subject to a financial performance underpin, only being payable if the threshold level of Operating Profit was met for 2022.

The following non-financial measures were set for Jeremy Suddards for the year ended 31 December 2022:

1) Successfully deliver the Fynapse launch, resulting in charter client sales in North America and International in both the TMT and Financial Services sectors.

2) Deliver the MPP Global Solutions business case sales plan and complete planning and execution for the overall integration of MPP into the wider organisation by the end of 2022.

3) Implement the Product and Technology operating model as informed by the external due diligence review delivered in Q1 2022, with clear measures for improvements in software quality and productivity in H2 2022. To be measured by improvements in software quality and productivity and reduced support tickets in H2 2022.

4) Execute the 2022 People strategy with the new Chief People Officer by end of Q3 2022 including key pillars of succession, retention, high performing culture and third party resource options. To be demonstrated by improved employee engagement scores and reduced attrition, and the role of the Diversity and Inclusion Steer Co executive sponsor.

Directors’ Remuneration **Report**

Having considered the progress made against each of these objectives, the Committee concluded that it was appropriate to pay Jeremy Suddards a bonus of 15.00% of his salary under the non-financial element of the 2022 bonus (the maximum possible payment being 31.25% of salary, and the on-target payment being 15.63% of salary). This payment reflects the fact that while some strong progress was made against certain objectives, the overall progress was slightly below the level expected to merit an on-target payment. The Committee also considered the fact that 2022 was a transitional year for the Group, with significant investment made in the product suite. Progress made against each of the objectives during the year was as follows:

1) Fynapse was successfully launched in March 2022 and delivered to a charter client in the US telco market, which is expected to go live in mid-2023. Securing a global partnership agreement with Microsoft to integrate Fynapse into Microsoft Dynamics 365 Finance was a major achievement. Building upon and delivering against existing pipeline opportunities for Fynapse is a key focus for 2023 and is central to the Group’s strategic growth plans.
2) The operational integration of MPP into the wider Aptitude group was successfully completed in October 2022 and laid strong foundations for future growth of subscription management services. However, the MPP Global plan for 2022 was not met. While good levels of new business and growth of existing accounts in 2022 was seen, overall recurring revenue growth for subscription management services was subdued by unusually high levels of client churn.
3) Significant progress was made during the year in relation to the product and technology operating model, with clear improvements in oversight and control mechanisms, visibility of workflows and productivity levels and the resolution of issues. Positive results against agreed milestones have been evidenced, including a reduction in high priority support tickets, an increase in bug resolution rates and an increase in technology employees net promotor scores. Ensuring that the product and technology teams work seamlessly with the go to market and client facing teams remains a focus for 2023.
4) Strong progress was seen in the evolution of the Group’s people strategy throughout the year. The successful recruitment of a new Chief People Officer was completed in May 2022 and this had a very positive impact on people-based initiatives during the year, including the establishment of a new leadership programme and a reduction in third party recruitment agency fees. A good baseline has now been established for further improving retention, performance and employee engagement in 2023. An active role has been played by Jeremy as executive sponsor of the Group’s Diversity and Inclusion SteerCo, with output from this Group during the year including a new Diversity and Inclusion Policy and setting new Diversity and Inclusion strategic objectives.

The following non-financial measures were set for Philip Wood for the year ended 31 December 2022:

1) Leadership of the acquired MPP Global business until the time of its full integration into the wider group. Successful leadership will be demonstrated by adherence to key financial metrics and progress towards key non-financial objectives of the business e.g. the achievement of first cross sell between the two organisations.
2) Provide commercial leadership for the launch of Fynapse, with a focus on both the commercial and pricing model together with driving a competitive cost structure for providing Fynapse as a SaaS offering. Successful achievement of this objective to be demonstrated by the market’s acceptance of the commercial and pricing principles of Fynapse together with acceptable profitability of Fynapse as a SaaS offering.
3) Continue to develop the senior management team financial management skills including financial planning skills, adherence to plans and financial business case preparation. Successful achievement of this objective will be demonstrated by strong financial accountability by the senior management team and improved quality of business case submissions.
4) As the designated Board member responsible for Environmental, Social and Governance matters, successful sponsorship of key environmental, social and governance initiatives in 2022.

Having considered the progress made against each of these objectives, the Committee concluded that it was appropriate to pay Philip Wood a bonus of 12.50% of his salary under the non-financial element of the 2022 bonus (the maximum possible payment being 31.25% of salary, and the on-target payment being 15.63% of salary). This payment reflects the fact that while some good progress was made against certain objectives, the overall progress was below the level expected to merit an on-target payment. The Committee also considered the fact that 2022 was a transitional year for the Group, with significant investment made in the product suite. Progress made against each of the objectives during the year was as follows:

1) Philip provided strong leadership to the MPP business prior to its operational integration into the wider Aptitude group in October 2022, with key talent being retained and reduced attrition levels from 2021. Strong foundations were laid for future growth of subscription management services, but the MPP Global plan for 2022 was not met. While good levels of new business and growth of existing accounts in 2022 was seen, overall recurring revenue growth for subscription management services was subdued by high levels of client churn.

2) While Fynapse was successfully launched in March 2023, revised timelines for the delivery of Fynapse have meant that the market's acceptance of the commercial and pricing principles of Fynapse continue to be fully shaped and were not launched in 2022. Good progress nevertheless continues to be made in this area. Internal SaaS pricing models and cost base models are now in place and being used by the business.

3) Philip led a number of initiatives in the year to develop the senior management team's financial management and planning skills during the year. This has resulted in improved quality of the business cases and regional financial updates presented to the Board. Some progress towards embedding greater financial accountability within the senior management team was also evident during the year. The professional progression and development of key individuals within the Finance team has also occurred, including the internal promotion of Regional Finance Directors.

4) During the year Philip oversaw the Group's environmental, social and governance strategies, including the further development of its climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures. The Group's 2022 diversity disclosures have also been enhanced and Philip has supported the representation of his team members on the Group's Diversity and Inclusion StreerCo.

2022 Management Bonus – Overall Outcome

	Overall (% achievement)	Financial (75% of award)	Non-financial (25% of award)	Total bonus payable*
Jeremy Suddards	20.86%	5.86%	15.00%	£65,707
Philip Wood	18.36%	5.86%	12.50%	£48,973

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

PSP awards vesting in respect of performance in 2022

There were no PSP awards that vested in relation to a performance period ending in the year ended 31 December 2022. The PSP awards granted on 7 September 2020 are subject to a three year TSR only performance condition which will end on 7 September 2023, as explained in the 2020 Directors' Remuneration Report.

PSP awards vesting in respect of performance in 2021

In the 2021 Directors' Remuneration Report estimated vesting rates were provided for awards held by Jeremy Suddards and Philip Wood that were granted during 2019 and were expected to vest by reference to the three year performance period ended 31 December 2021. The Committee confirms that the actual vesting rates for these awards were the same as the estimates provided within the 2021 Annual Report and Accounts. In the single total figure of remuneration table in the 2021 Directors' Remuneration Report, these awards were valued by reference to the three month average share price up to 31 December 2021 (being £5.904). In the single total figure of remuneration table on page 68, the values have been updated to reflect the actual share price on the date of vesting, being £3.30.

Directors' Remuneration **Report**

Share awards granted during the year (audited)

On 22 November 2022 share options under the Performance Share Plan were awarded to Jeremy Suddards and Philip Wood. Each award was granted in the form of an option with an exercise price of 7 1/3 pence per share. The awards granted to Jeremy Suddards were based upon 125% of salary and the awards granted to Philip Wood were based upon 100% of salary, with a reduction of 10% applied to the number of shares in each Executive Director's award, in view of the reduction of the Group's share price in the 12 months prior to the date of grant.

Executive Director	Number of shares subject to award	Basis of award	Face value of award[1]	% of award vesting for threshold performance
Jeremy Suddards	98,300	125% of salary, less a 10% reduction in the number of shares awarded	£354,372	25%
Philip Wood	66,593[2]	100% of salary, less a 10% reduction in the number of shares awarded	£240,068	25%

1 Based on a share price of £3.605 being the average of the mid-market closing share price on the three days prior to the date of grant.
2 These awards will lapse when Philip Wood steps down from the Board in July 2023.

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

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

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

(b) as regards the other 25% of the shares subject to the options, the Company's Earnings Per Share (EPS) at the end of a period of three financial years ending with 2024, as follows:

Percentage of the options subject to the EPS performance condition that vests	Diluted EPS for the final year of the performance period
0%	Less than 16.4 pence
25%	16.4 pence
Determined on a straight-line basis between 25% and 100%	Between 16.4 pence and 18.8 pence
100%	18.8 pence or more

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

These awards are subject to a two-year holding period following the end of the performance period, at the end of which they will vest and can be exercised.

All 2022 awards are subject to downward adjustment should the Committee conclude that the formulaic vesting does not reflect the Committee's assessment of performance.

Termination payments and payments to past Directors (audited)

No termination payments or payments to past Directors (beyond those relating to normal fees) were made during the year.

Philip Wood, Deputy Chief Executive Officer and former Chief Financial Officer, will be stepping down from the Board in July 2023. Philip will continue to receive his salary, pension and benefits until the date on which he leaves, pro-rated accordingly for the reduction in his hours that will occur during that period. Philip will not be eligible to earn a bonus for the proportion of 2023 for which he is employed. Philip will not receive a PSP award for 2023. In line with the Policy, Philip Wood will retain his DBP awards (including those to be granted in respect of the 2022 bonus) and his PSP awards granted in 2018 and 2019 for which the performance periods have ended. These retained PSP and DBP awards will remain subject to the existing timelines. His other PSP awards will lapse.

Implementation of Remuneration Policy for 2023

Basic salary

Market positioning of basic salary is reviewed on an individual basis, by reference to individual performance, experience and market conditions with a view to providing a package which is appropriate for the responsibilities involved. As explained on page 55, the salary of Jeremy Suddards will be increased on 1 April 2023 from £315,000 to £326,970 (3.8%). Philip Wood will not receive a salary increase on 1 April 2023 in view of his planned departure from the business in July 2023.

Management Bonus Scheme

It is proposed that in the updated Remuneration Policy, the maximum bonus opportunity for Executive Directors will be increased from 125% of salary to 150% of salary in order to provide flexibility over the life of the policy. However, for 2023 the maximum bonus opportunity will remain at 125% of salary, with 50% of the maximum paid for on target performance.

Bonuses will be based on performance compared to a number of financial metrics (as regards 75% of the overall opportunity) and the achievement of a number of non-financial performance measures set for the year (as regards 25% of the overall opportunity). The financial metrics are expected to include Operating Profit and Annual Recurring Revenue growth. The non-financial performance measures will be subject to a financial underpin. In the view of the Committee the measures and targets are commercially sensitive as they give competitors information in relation to the Company's targets and plans. Information will be disclosed when no longer considered commercially sensitive, as with the disclosure of the 2022 bonus outturn on pages 69 and 71. 20% of any bonus earned will be deferred into shares for a period of two years. Deferred shares will be granted following announcement of the Company's results by which the bonus payment was determined. An additional payment may also be made in shares to reflect the value of any dividends paid during the two year deferral period.

Directors' Remuneration **Report**

Long-term incentives

Awards under the PSP will be granted to Executive Directors in 2023. It is proposed that in the updated Remuneration Policy, the maximum grant of PSP for Executive Directors will be increased from 125% of salary to 150% of salary in order to provide flexibility over the life of the policy. However, in 2023 the maximum PSP opportunity will remain at 125% of salary. The performance measures will include a relative TSR measure for at least 50% of the award and at least one other financial metric, such as EPS. As with the awards granted in 2022, the TSR performance measure will compare the Company's TSR performance with a comparator group consisting of the FTSE SmallCap Index (excluding investment trusts), with 25% of the TSR element vesting for performance at median, rising to 100% for upper-quartile performance. TSR performance will be assessed over the three year period from the date of grant. Details of the other financial measure (and of the associated targets) and of the weightings between the measures will be disclosed both at grant and in the 2023 Directors' Remuneration Report. Targets will be set to ensure that full vesting requires the achievement of stretching levels of performance, with threshold performance delivering 25% vesting. The awards will be subject to a two year holding period following the end of the performance period, at the end of which they will vest and can be exercised. An additional payment will also be made in shares to reflect the value of any dividends paid during the two year holding period.

Non-Executive Director fees

Fees for the Chairman and Non-Executive Directors were increased with effect from 1 April 2022, in line with the review of the average wider workforce salaries in the United Kingdom and North America regions. The fees payable to the Chairman and Non-Executive Directors will be increased by 3.8% on 1 April 2023, which is in line with the applied salary increase being awarded to the United Kingdom wider workforce and below the average salary increase for the Group's entire workforce.

	Fee at 31 December 2022	Fee at 1 April 2023
Chairman	£156,625	£162,575
Basic Non-Executive Director fee	£50,560	£52,480
Audit Committee Chair fee	£8,990	£9,330
Remuneration Committee Chair fee	£7,865	£8,165
Senior Independent Director fee	£7,865	£8,165
Nomination Committee Chair fee	£6,330	£6,570

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

Percentage change in Directors' remuneration

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

	Financial year[2]	Salary	Taxable benefits	Single year variable
Executive Directors				
Jeremy Suddards	2021 - 2022	11.3%	(4.3%)	(60.7%)
	2020 - 2021	10.5%	3.7%	182.4%
	2019 - 2020	0.0%	N/A	N/A
Philip Wood	2021 - 2022	3.1%	(7.8%)	(68.6%)
	2020 - 2021	3.5%	7.0%	169.3%
	2019 - 2020	-2.5%	17.6%	-41.3%
Non-Executive Directors				
Ivan Martin[3]	2021 - 2022	6.7%	N/A	N/A
	2020 - 2021	6.8%	N/A	N/A
	2019 - 2020	0.0%	N/A	N/A
Barbara Moorhouse	2021 - 2022	15.4%	N/A	N/A
	2020 - 2021	3.6%	N/A	N/A
	2019 - 2020	0.0%	N/A	N/A
Sara Dickinson[4]	2021 - 2022	19.9%	N/A	N/A
	2020 - 2021	N/A	N/A	N/A
	2019 - 2020	N/A	N/A	N/A
Peter Whiting[5]	2021 - 2022	N/A	–	–
	2020 - 2021	5.8%	N/A	N/A
	2019 - 2020	0.0%	N/A	N/A
Other employees[1]	2021 - 2022	7.7%	29.6%	106.3%
	2020 - 2021	4.3%	22.0%	0.6%
	2019 - 2020	1.6%	3.0%	34.1%

1 Based on the United Kingdom employees only as the most appropriate comparator group.
2 Explanatory notes relating to the prior year figures are included in the relevant year's Directors' Remuneration Report.
3 The salary received by Ivan Martin during 2021 and 2022 included the addition of a fee for Chairing the Nomination Committee.
4 Sara Dickinson was appointed on 1 October 2021 and therefore her 2021 salary has been annualised for comparative purposes.
5 Peter Whiting resigned on 28 April 2022 and therefore a salary increase % from 2021 to 2022 is not shown.

Relative importance of spend on pay

The table below shows the percentage change in spend on pay and shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 31 December 2021 to the financial year ended 31 December 2022, based upon continuing operations.

	% change	**2022 £000**	2021 £000
Return to shareholders in year	1.2%	**3,093**	3,057
Employee remuneration[1]	28.8%	**45,622**	35,412

1 Significant increase in employee remuneration from 2021 to 2022 was impacted by the acquisition of MPP Global Solutions Limited in October 2021.

Directors' Remuneration **Report**

Comparison of Company performance

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE SmallCap Index for the ten years ended 31 December 2022. The Committee considers that the FTSE SmallCap Index is the most appropriate comparison across the period given the similarities between the Company and the companies forming this index.

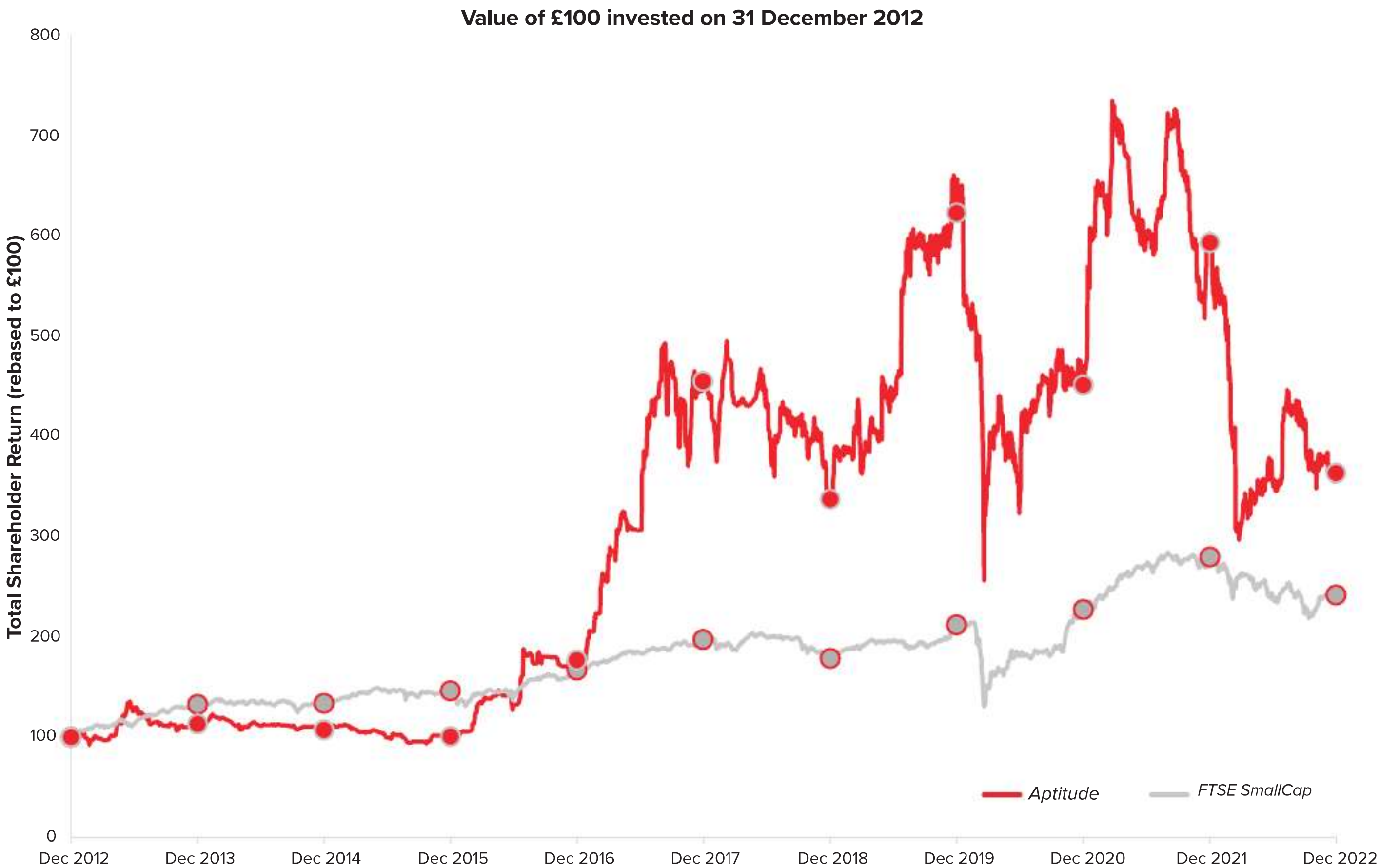


Table of historic remuneration (audited)

The table below details the total remuneration, bonus award as a percentage of maximum opportunity and long-term incentive awards vesting as a percentage of maximum opportunity for the Group's senior executive officer(s) for each of the years from 2013 - 2022 (inclusive).

Year		Total Remuneration	Bonus Award as a percentage of maximum opportunity	Long term incentives vesting as a percentage of maximum opportunity
2022	Jeremy Suddards (Chief Executive Officer)	£391,593	16.69%[1]	n/a[2]
2021	Jeremy Suddards (Chief Executive Officer)	£578,407	46.90%	43.2%
2020	Jeremy Suddards (Chief Executive Officer)	£387,630	78.67%	26.60%
2019	Tom Crawford (Chief Executive Officer, Aptitude Software Group plc – retired 17 January 2020)	£1,634,545	0.00%	100.00%/ 75.50%
2018	Simon Baines (Chief Executive Officer, Microgen Financial Systems)	£776,610	0.00%	100.00%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£858,130	0.00%	100.00%
2017	Simon Baines (Chief Executive Officer, Microgen Financial Systems)	£270,075	35.25%	n/a
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£433,437	86.25%	n/a
2016	Simon Baines (Chief Executive Officer, Microgen Financial Systems)	£1,141,653	50.00%	98.53%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£1,269,113	92.50%	98.53%
2015	Martyn Ratcliffe (Executive Chairman)	£199,375	n/a	n/a
2014	Martyn Ratcliffe (Executive Chairman)	£275,000	n/a	n/a
2013	Martyn Ratcliffe (Executive Chairman)	£216,667	n/a	n/a

1 The maximum bonus opportunity for 2022 was 125% of salary. Jeremy Suddards received a bonus of 20.86% of salary (being 16.69% of the maximum opportunity).
2 There were no Performance Share Plan awards that vested in relation to a period ended 31 December 2022.

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

Directors' shareholdings and shareholding requirement (audited)

The interests of those persons who served as Directors during 2022 and their families in the ordinary shares of the Company as at 31 December 2022 (or, if earlier, the date of their retirement from the Board) were as follows:

	Ordinary shares at 31 December 2022 (or, if earlier, the date of retirement from the Board)	Ordinary shares at 31 December 2021
Ivan Martin	225,000	175,000
Philip Wood	216,341	196,875
Barbara Moorhouse	–	–
Jeremy Suddards	24,924	9,339
Sara Dickinson	–	–
Peter Whiting[1]	N/A	16,332

1 Resigned on 28 April 2022

There have been no changes since 31 December 2022 to the shareholdings of any current Director. None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group. Details of Directors' interests in shares and options under Company long-term incentives are set out in the sections below.

Under the Remuneration Policy which was approved by shareholders at the 2020 Annual General Meeting and the Remuneration Policy for which approval is to be sought at the 2023 Annual General Meeting, Executive Directors are expected to acquire and retain shares with a value equal to 200% of their base salary, by the end of the three year period following their appointment to the Board. Further information on this shareholding guideline can be found on page 60. Philip Wood has achieved this level of shareholding, and Jeremy Suddards is working towards it.

Directors' interests under Company share plans (audited)

The table below shows the interests of each Director who served during 2022 as at 31 December 2022 in the Company's share plans.

Director	Grant	Shares subject to award as at 1 January 2022	Granted in 2022	Exercised in 2022	Lapsed in 2022	Shares subject to awards as at 31 December 2022	Status
Jeremy Suddards	2019[2]	85,179	–	–	48,382	36,797	Vested but unexercised
	2020[4]	69,321	–	–	–	69,321	Unvested, subject to performance conditions
	2021[5]	57,676	–	–	–	57,676	Unvested, subject to performance conditions
	2022	–	98,300	–	–	98,300	Unvested, subject to performance conditions
		212,176	**98,300**	**–**	**48,382**	**262,094**	
Philip Wood[7]	2017[1]	35,096	–	35,096	–	–	Exercised
	2018[2]	13,246	–	–	–	13,246	Vested but unexercised
	2019[3]	62,606	–	–	35,561	27,045	Vested but unexercised
	2020[4]	54,348	–	–	–	54,348	Unvested, subject to performance conditions
	2021[5]	40,934	–	–	–	40,934	Unvested, subject to performance conditions
	2022	–	66,593	–	–	66,593	Unvested, subject to performance conditions
		206,230	**66,593**	**35,096**	**35,561**	**202,166**	

1 The awards granted in 2017 were subject to a performance condition described on page 49 of the 2017 Annual Report and Accounts.
2 The awards granted in 2018 are subject to a performance condition described on page 51 of the 2018 Annual Report and Accounts.
3 The awards granted in 2019 are subject to a performance condition described on pages 53 and 54 of the 2019 Annual Report and Accounts. The awards will vest by reference to a performance period ended 31 December 2021.
4 The awards granted in 2020 are subject to a performance condition described on page 57 of the 2020 Annual Report and Accounts.
5 The awards granted in 2021 are subject to a performance condition described on page 64 of the 2021 Annual Report and Accounts.
6 The awards granted in 2022 are subject to a performance condition described on page 72 of this report.
7 Philip Wood will step down from the Board in July 2023. His PSP awards granted in 2018 and 2019 will be retained upon his resignation. His other PSP awards will lapse.

Advisors

In fulfilling its role, the Committee seeks professional advice when considered appropriate to do so. Deloitte LLP is retained to provide independent advice on executive remuneration to the Committee as required. Independent advisors on executive remuneration, were made available to the Committee during the year. Deloitte LLP's total fees for the provision of remuneration services to the Committee in 2022 were £28,750 (2021: £14,825). After careful consideration the Committee is satisfied that the advice provided by Deloitte LLP is independent. Deloitte LLP also advise the Group on the operation of its share plans, associated tax matters and remuneration disclosure matters.

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

Directors' Remuneration **Report**

Statement of Shareholder voting

At the Annual General Meeting of the Company on 28 April 2020, the Directors' Remuneration Policy was approved by shareholders as follows:

Approval of the Directors' Remuneration Policy	Total number of votes	% of votes cast
For (including discretionary)	36,118,282	93.98%
Against	2,313,377	6.02%
Total votes cast (excluding withheld votes)	**38,431,659**	**100.00%**
Votes withheld	952,444	
Total votes cast (including withheld votes)	**39,384,103**	

At the Annual General Meeting of the Company on 28 April 2022, the Directors' Remuneration Report for the year ended 31 December 2021 was approved by shareholders as follows:

Approval of the Directors' Remuneration Report for the year ended 31 December 2021	Total number of votes	% of votes cast
For (including discretionary)	47,015,834	95.83%
Against	2,047,082	4.17%
Total votes cast (excluding withheld votes)	**49,062,916**	**100.00%**
Votes withheld	1,459	
Total votes cast (including withheld votes)	**49,064,375**	

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

The Remuneration Report was approved by a duly authorised Committee of the Board of Directors on 20 March 2023 and signed on its behalf by:

Barbara Moorhouse
Chair of the Remuneration Committee

20 March 2023

Independent Auditor's Report

to the members of Aptitude Software Group plc

Opinion

We have audited the financial statements of Aptitude Software Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated Statement of Changes in Shareholders' Equity, Company Statement of Changes in Shareholders' Equity, Consolidated and Company Statement of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Summary of our audit approach	
Key audit matters	**Group** • Revenue recognition **Parent Company** • None
Materiality	**Group** • Overall materiality: £316,000 (2021: £402,000) • Performance materiality: £237,000 (2021: £301,000) **Parent Company** • Overall materiality: £125,000 (2021: £150,000) • Performance materiality: £93,700 (2021: £112,500)
Scope	Our audit procedures covered (excluding desktop review procedures) 100% of revenue, 100% of total assets and 99% of profit before tax.

Independent Auditor's Report

to the members of Aptitude Software Group plc

Key audit matters

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

Revenue recognition	
Key audit matter description	The Group discloses the following revenue streams: • Recurring revenue of £50.5m (2021: £40.1m) • Non-recurring revenue of £23.9m (2021: £19.2m) The Group's key revenue recognition policies are set out on pages 98 to 101 to the financial statements and the critical accounting judgements and estimates relating to revenue recognition are set out on pages 112 to 115. Given the level of judgement and estimates involved in revenue recognition, we have identified this as a potential fraud risk area and a key audit matter. **Software related revenue** For software related revenue we have identified revenue recognition on new contracts signed in the year, along with those with manual IFRS 15 adjustments at the year-end to be a significant risk of fraud. Management have made the assessment that there is no "primary and dominant" component of the licence and maintenance contracts and therefore the software related revenue should be recognised as a combined performance obligation over time in line with consistent development activity. The key judgements and estimates in the recognition of software related revenue are: • Assessment of software-based activity as a single performance obligation; • Assessment of implementation and solution management services revenue as a separate performance obligation; • Recognition of revenue over time based on consistent development activity; • The revenue constraints applied before the go-live date due to uncertain implementation periods. **Services related revenue** A significant risk of fraud has been identified in respect of occurrence of services revenue and completeness of the provision recognised for additional time and materials cost of implementation, which involves significant management estimates of the costs which could be incurred subsequent to the year end to deliver and complete the service to client expectations.

How the matter was addressed in the audit	Our audit work included but was not restricted to: • Obtaining an understanding of the process and controls around revenue recognition; • Reviewing the Group's revenue recognition policy, including supporting accounting papers, to assess whether performance obligations have been appropriately identified and recognised in line with IFRS 15; • Auditing the disclosures in the financial statements and evaluating whether the policy for revenue recognition is appropriately explained and critical judgements and key sources of estimation uncertainty are appropriately disclosed. Specifically for software related revenue, our audit work included but was not restricted to: • Auditing the IFRS 15 calculations confirming the methodology applied is in line with the Group's revenue recognition accounting policy; • Agreeing inputs to the IFRS 15 calculations to signed customer contracts, and recalculating the expected revenue and comparing this to the actual revenue recognised; • Obtaining invoices for a sample of amounts invoiced and tracing through to bank receipt; • Holding discussions with project managers regarding the key assumptions and judgements made, in particular around the estimated "go-live" date and the likelihood of the contract reaching that point; • Reviewing historic cancelled contracts to assess the appropriateness of limiting revenue recognised to invoiced amounts pre go-live date and testing the application of the revenue recognition constraint to contracts in the period; • Performing completeness checks by reviewing a list of approved contracts from the contract sales and management system and checking revenue has been recognised for all active contracts in the year, in line with the revenue recognition policy; • Obtaining and reviewing "product roadmaps" to support management's assertion that there is a "stand ready" performance obligation. Specifically for services related revenue, our audit work included but was not restricted to: • Testing the controls over approval of Statements of Works and timesheet reports prior to billing; • Verifying revenue recognised in the period to Statement of Works, supporting agreements, sales invoices and employee timesheets where applicable; • Testing completeness and accuracy of timesheet data; • Testing the accuracy and completeness of revenue deferred based on management's estimate of additional effort required to satisfy certain contractual obligations without incremental charge; • Completing targeted testing procedures for revenue recognised around the reporting date through review of timesheet data reconciled to customer invoices, and accrued revenue adjustment.
Key observations	Details of the key judgements and estimates applied in respect of revenue recognition are disclosed in "Critical accounting estimates and judgements section of the Accounting Policies included in the financial statements. Based on the results of the audit procedures outlined above, we have no observations to report.

Independent Auditor's Report

to the members of Aptitude Software Group plc

Our application of materiality

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

	Group	Parent company
Overall materiality	£316,000 (2021: £402,000)	£125,000 (2021: £150,000)
Basis for determining overall materiality	4.8% of profit before tax adjusted to exclude amortisation charged in the year to better reflect the adjusted operating profit highlighted by management to users of the financial statements.	0.2% of net assets
Rationale for benchmark applied	As a listed entity, a profit-driven figure is considered the most appropriate benchmark for users of the financial statement.	Net assets is considered to be the most appropriate benchmark for the parent company as it is primarily a holding company.
Performance materiality	£237,000 (2021: £301,000)	£93,700 (2021: £112,500)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £15,800 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £6,250 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of 9 components, located in the following countries:

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

Full scope audits were performed for 5 components, targeted audit procedures for 2 components and analytical procedures at Group level for the remaining 2 components.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	5	97%	96%	87%
Targeted audit procedures	2	3%	4%	12%
Analytical procedures at Group level	2	-	-	1%

Total	9	100%	100%	100%

Targeted audit procedures were performed on components which are not financially significant by size but include a significant risk. The targeted audit procedures included testing of revenue and the associated balance sheet amounts as described in the key audit matter section above.

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Checking the arithmetic accuracy of the forecasts that form the basis of the Directors' going concern assessment and Viability statement;
- Corroborating the cash balance that is used as the starting point for the forecasts by confirming to bank confirmations;
- Challenging management's forecasts and comparing the 2023 budget to YTD results and order book;
- Assessing covenant compliance within the period and agreeing that management forecasts and viability statement data is compliant with coventant requirements;
- Assessing the assumptions made in management's stress-testing;
- Completing further sensitivity analysis and stress-testing;
- Auditing the disclosures in the financial statements in respect of going concern and viability.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entity reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor’s Report

to the members of Aptitude Software Group plc

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company’s corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors’ Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

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

Corporate governance statement

We have reviewed the directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company’s compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors’ statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 24 to 26;
- Directors’ explanation as to their assessment of the Group’s prospects, the period this assessment covers and why the period is appropriate set out on pages 24 to 25;
- Director’s statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 26;
- Directors’ statement on fair, balanced and understandable set out on page 21;

- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 25;

- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 48 to 49; and,
- Section describing the work of the audit committee set out on pages 45 to 48.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 20 to 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

The most significant laws and regulations were determined as follows:

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

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

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	• The audit procedures performed in relation to revenue recognition are documented in the key audit matters section of our audit report.
Treatment of development costs	• Reviewing management's paper considering the application of IAS 38 and the treatment used by the Group; • Reviewing project roadmaps, meeting minutes and RNS announcements for any projects which may indicate amounts should have been capitalised during the period; • Interviewing relevant personnel to understand the nature of development activities undertaken during the year and challenging management on the justification for noncapitalisation.
Management override of controls	• Testing the appropriateness of journal entries and other adjustments; • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Other matters which we are required to address

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

The period of total uninterrupted consecutive appointment is 2 years, covering the years ending December 2021 to December 2022.

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

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

Use of our report

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

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

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

20 March 2023

Consolidated
Income Statement
for the year ended 31 December 2022

	Note	Year ended 31 Dec 2022 Before non-underlying items	Year ended 31 Dec 2022 Non-underlying items	Year ended 31 Dec 2022 Total	Year ended 31 Dec 2021 Before non-underlying items	Year ended 31 Dec 2021 Non-underlying items	Year ended 31 Dec 2021 Total
		£000	**£000**	**£000**	£000	£000	**£000**
Revenue	1,2	74,394	–	**74,394**	59,330	–	59,330
Operating costs	3	(66,887)	(3,822)	**(70,709)**	(49,430)	(3,439)	(52,869)
Operating profit	3	7,507	(3,822)	**3,685**	9,900	(3,439)	6,461
Finance income	5	18	–	**18**	6	–	6
Finance costs	5	(498)	–	**(498)**	(238)	–	(238)
Net finance costs		(480)	–	**(480)**	(232)	–	(232)
Profit before income tax		7,027	(3,822)	**3,205**	9,668	(3,439)	6,229
Income tax expense	6	(1,481)	871	**(610)**	(1,634)	479	(1,155)
Profit for the period from continuing operations		**5,546**	**(2,951)**	**2,595**	8,034	(2,960)	5,074
Earnings per share							
Basic	7			**4.5p**			**9.0p**
Diluted	7			**4.5p**			**8.9p**

The accounting policies and notes on pages 96 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	Group Year ended 31 Dec 2022	Group Year ended 31 Dec 2021
		£000	£000
Profit for the year		**2,595**	5,074
Other comprehensive income/(expense)			
Items that will or may be reclassified to profit or loss:			
Cash flow hedges reclassified to income statement	25	**187**	–
Gain/(loss) on effective cash flow hedges	25	**1,445**	(222)
Currency translation difference		**1,972**	(225)
Deferred tax on cash flow hedges		**(335)**	–
Other comprehensive income/(expense) for the year, net of tax		**3,269**	(447)
Total comprehensive income for the year		**5,864**	4,627

The accounting policies and notes on pages 96 to 144 are an integral part of these consolidated financial statements.

Balance
Sheets
for the year ended 31 December 2022

	Note	**Group As at 31 Dec 2022 £000**	Group As at 31 Dec 2021 £000	**Company As at 31 Dec 2022 £000**	Company As at 31 Dec 2021 £000
ASSETS					
Non-current assets					
Property, plant and equipment including right-of-use assets	9	**5,103**	4,261	**15**	13
Goodwill	10	**46,006**	46,006	**–**	–
Intangible assets	11	**21,120**	24,502	**–**	–
Investments in subsidiaries	12	**–**	–	**68,510**	67,838
Other long-term assets	13	**1,307**	1,354	**–**	–
Deferred tax assets	15	**423**	115	**–**	147
		73,959	76,238	**68,525**	67,998
Current assets					
Trade and other receivables	16	**12,297**	10,775	**452**	295
Financial assets – derivative financial instruments	17	**1,339**	–	**812**	–
Current income tax assets	14	**1,352**	1,168	**1,951**	500
Cash and cash equivalents	18	**29,245**	29,064	**14,340**	19,498
		44,233	41,007	**17,555**	20,293
Total assets		**118,192**	117,245	**86,080**	88,291
LIABILITIES					
Current liabilities					
Financial liabilities					
– borrowings	19	**(1,250)**	(313)	**(1,250)**	(313)
– derivative financial instruments	17	**–**	(293)	**–**	(29)
Trade and other payables	20	**(38,146)**	(40,284)	**(14,982)**	(14,379)
Capital lease obligations	21	**(553)**	(273)	**–**	–
Current income tax liabilities		**(119)**	(353)	**–**	–
Provisions	22	**(114)**	–	**–**	–
		(40,182)	(41,516)	**(16,232)**	(14,721)
Net current assets/(liabilities)		**4,051**	(509)	**1,323**	5,572
Non-current liabilities					
Financial liabilities – borrowings	19	**(8,347)**	(9,573)	**(8,347)**	(9,573)
Capital lease obligations	21	**(3,196)**	(2,777)	**–**	–
Provisions	22	**(202)**	(379)	**–**	–
Deferred tax liabilities	15	**(5,724)**	(5,811)	**(116)**	–
		(17,469)	(18,540)	**(8,463)**	(9,573)
NET ASSETS		**60,541**	57,189	**61,385**	63,997
SHAREHOLDERS' EQUITY					
Share capital	23	**4,204**	4,194	**4,204**	4,194
Share premium account	24	**11,959**	11,946	**11,959**	11,946
Capital redemption reserve		**12,372**	12,372	**12,372**	12,372
Other reserves	25	**35,199**	33,902	**17,978**	17,369
(Accumulated losses)/retained earnings	26	**(3,286)**	(3,346)	**14,872**	18,116
Foreign currency translation reserve		**93**	(1,879)	**–**	–
TOTAL EQUITY		**60,541**	57,189	**61,385**	63,997

The accounting policies and notes on pages 96 to 144 are an integral part of these consolidated financial statements.

In addition, under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. The loss for the year of the Company was £791,000 (2021: loss for the year £1,918,000), see note 26 for details.

The financial statements on pages 90 to 144 were authorised for issue by the Board of Directors on 20 March 2023 and were signed on its behalf by:

Ivan Martin
Director

Philip Wood
Director

Company Registered Number: 01602662

Consolidated Statement
of Changes in Shareholders' Equity
for the year ended 31 December 2022

		Attributable to owners of the Parent						
	Note	Share capital	Share premium account	(Accumulated losses)/ retained earnings	Foreign currency translation reserve	Capital redemption reserve	Other reserves	**Total equity**
		£000	£000	£000	£000	£000	£000	**£000**
Group								
Balance at 1 January 2021		**4,143**	**7,828**	**(6,165)**	**(1,654)**	**12,372**	**34,124**	**50,648**
Profit for the year	26	–	–	5,074	–	–	–	**5,074**
Cash flow hedges								
- net fair value losses in the year	25	–	–	–	–	–	(222)	**(222)**
Exchange rate adjustments		–	–	–	(225)	–	–	**(225)**
Total comprehensive income for the year		**–**	**–**	**5,074**	**(225)**	**–**	**(222)**	**4,627**
Shares issued under share option schemes	23-24	15	953	–	–	–	–	**968**
Share consideration on acquisition	23-24	36	3,165	–	–	–	–	**3,201**
Share options – value of employee service	26	–	–	612	–	–	–	**612**
Deferred tax on share options	15	–	–	190	–	–	–	**190**
Dividends to equity holders of the company	8	–	–	(3,057)	–	–	–	**(3,057)**
Total Contributions by and distributions to owners of the company recognised directly in equity		51	4,118	(2,255)	–	–	–	**1,914**
Balance at 31 December 2021		**4,194**	**11,946**	**(3,346)**	**(1,879)**	**12,372**	**33,902**	**57,189**
Profit for the year	**26**	**–**	**–**	**2,595**	**–**	**–**	**–**	**2,595**
Cash flow hedges reclassified to income statement	25	–	–	–	–	–	187	**187**
Gain on effective cash flow hedges	25	–	–	–	–	–	1,445	**1,445**
Deferred tax on cash flow hedges	25	–	–	–	–	–	(335)	**(335)**
Exchange rate adjustments		–	–	–	1,972	–	–	**1,972**
Total comprehensive income for the year		–	–	2,595	1,972	**–**	1,297	**5,864**
Shares issued under share option schemes	23-24	10	13	–	–	–	–	**23**
Share options – value of employee service	26	–	–	695	–	–	–	**695**
Deferred tax on share options	15	–	–	(137)	–	–	–	**(137)**
Dividends to equity holders of the company	8	–	–	(3,093)	–	–	–	**(3,093)**
Total Contributions by and distributions to owners of the company recognised directly in equity		10	13	(2,535)	–	–	–	**(2,512)**
Balance at 31 December 2022		**4,204**	**11,959**	**(3,286)**	**93**	**12,372**	**35,199**	**60,541**

The accounting policies and notes on pages 96 to 144 are an integral part of these consolidated financial statements.

Company Statement
of Changes in Shareholders' Equity
for the year ended 31 December 2022

		Attributable to owners of the Company					
		Share capital	Share premium account	Retained earnings	Capital redemption reserve	Other reserves	**Total equity**
Company		£000	£000	£000	£000	£000	**£000**
Balance at 1 January 2021		**4,143**	**7,828**	**22,407**	**12,372**	**17,398**	**64,148**
Loss for the year	26	–	–	(1,918)	–	–	**(1,918)**
Cash flow hedges							
Loss on effective cash flow hedges	25	–	–	–	–	(29)	**(29)**
Total comprehensive (expense) for the year		–	–	**(1,918)**	**–**	**(29)**	**(1,947)**
Shares issued under share option schemes	23-24	15	953	–	–	–	**968**
Share consideration on acquisition	23-24	36	3,165	–	–	–	**3,201**
Share options – value of employee service	26	–	–	612	–	–	**612**
Deferred tax on share options	15	–	–	72	–	–	**72**
Dividends to equity holders of the company	8	–	–	(3,057)	–	–	**(3,057)**
Total Contributions by and distributions to owners of the company recognised directly in equity		**51**	**4,118**	**(2,373)**	**–**	**–**	**1,796**
Balance at 31 December 2021		**4,194**	**11,946**	**18,116**	**12,372**	**17,369**	**63,997**
Loss for the year	26	–	–	(791)	–	–	**(791)**
Cash flow hedges							
Gain on effective cash flow hedges	25	–	–	–	–	812	**812**
Deferred tax on cash flow hedges	25	–	–	–	–	(203)	**(203)**
Total comprehensive income/(expense) for the year		**–**	**–**	**(791)**	**–**	**609**	**(182)**
Shares issued under share option schemes	23-24	10	13	–	–	–	**23**
Share options – value of employee service	26	–	–	695	–	–	**695**
Deferred tax on share options	15	–	–	(55)	–	–	**(55)**
Dividends to equity holders of the company	8	–	–	(3,093)	–	–	**(3,093)**
Total Contributions by and distributions to owners of the company recognised directly in equity		**10**	**13**	**(2,453)**	**–**	**–**	**(2,430)**
Balance at 31 December 2022		**4,204**	**11,959**	**14,872**	**12,372**	**17,978**	**61,385**

The accounting policies and notes on pages 96 to 144 are an integral part of these consolidated financial statements.

Statements
of Cash Flow
for the year ended 31 December 2022

	Note	**Group Year ended 31 Dec 2022**	Group Year ended 31 Dec 2021	**Company Year ended 31 Dec 2022**	Company Year ended 31 Dec 2021
Cash flows from operating activities		**£000**	£000	**£000**	£000
Cash generated from/(used in) operations	27	**5,272**	11,890	**(1,203)**	(1,501)
Interest paid		**(498)**	(238)	**(375)**	(95)
Income tax (paid)/received		**(1,597)**	262	**(1,451)**	–
Net cash flows generated from/(used in) operating activities		**3,177**	11,914	**(3,029)**	(1,596)
Cash flows from investing activities					
Purchase of property, plant and equipment, excluding right-of-use assets	9	**(831)**	(1,232)	**(11)**	(1)
Acquisition of subsidiary, net of cash acquired	28	**–**	(33,112)	**–**	(35,426)
Interest received		**18**	6	**18**	6
Net cash (used in)/generated from investing activities		**(813)**	(34,338)	**7**	(35,421)
Cash flows from financing activities					
Net proceeds from issuance of ordinary shares	24	**23**	968	**23**	968
Dividends paid to company's shareholders	8	**(3,093)**	(3,057)	**(3,093)**	(3,057)
Repayments of loan	19	**(313)**	–	**(313)**	–
Repayment of capital lease obligations	21	**(405)**	(756)	**–**	–
Drawdown of loan, net of arrangement fee	19	**–**	9,880	**–**	9,880
Amounts received from group undertakings	20	**–**	–	**59,184**	22,704
Amounts borrowed from group undertakings	20	**–**	–	**(57,937)**	(11,327)
Net cash (used in)/generated from financing activities		**(3,788)**	7,035	**(2,136)**	19,168
Net decrease in cash and cash equivalents		**(1,424)**	(15,389)	**(5,158)**	(17,849)
Cash, cash equivalents and bank overdrafts at beginning of year	18	**29,064**	44,822	**19,498**	37,347
Exchange rate gains / (losses) on cash and cash equivalents		**1,605**	(369)	**–**	–
Cash and cash equivalents at end of year	18	**29,245**	29,064	**14,340**	19,498

	Liabilities from financing activities			**Other assets**	
	Borrowings	**Leases**	**Subtotal**	**Cash**	**Total**
	£000	£000	£000	£000	£000
Net funds as at 1 January 2022	(9,886)	(3,050)	(12,936)	29,064	16,128
Financing cash flows	289	405	694	(1,424)	(730)
New leases	–	(830)	(830)	–	(830)
Foreign exchange adjustments	–	(274)	(274)	1,605	1,331
Interest expense	(498)	(148)	(646)	–	(646)
Interest payments (presented as operating cash flows)	498	148	646	–	646
Net funds as at 31 December 2022	(9,597)	(3,749)	(13,346)	29,245	15,899

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

The accounting policies and notes on pages 96 to 144 are an integral part of these consolidated financial statements.

Notes to the
Consolidated Financial Statements

ACCOUNTING POLICIES

General information

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

The Group consolidated financial statements were authorised for issue by the Board of Directors on 20 March 2023.

Summary of significant accounting policies

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

Basis of preparation

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

The presentation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed on pages 112 and 115.

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

Going Concern

After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have prepared forecasts for going concern until 31 December 2025 which show that the Group will have sufficient cash to operate and meet their operating liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements. Information used to make this decision is detailed below.

A scenario testing exercise was performed for the period covered by the going concern forecast, including considering management's base case forecast and an extreme downside scenario where no new customers were won, which is far more pessimistic than current situations may suggest. In all scenarios Aptitude remains comfortably profitable and cash generative in the years under review. Financial performance in 2023 is not expected to be materially impacted from current year levels due to the long-range revenue visibility achieved through the recurring revenue business model. These recurring revenues, representing over 60% of total revenue, are resilient given the nature of the Group's enterprise applications which are typically heavily integrated and central to clients' mission-critical long-term financial reporting and subscription management processes, underpinned by minimum contractual terms of up to six years at inception.

The Directors are reassured that the Group is financially robust benefitting from a cash balance at 31 December 2022 of £29.2 million and net funds of £15.9 million. Additionally, the Group is cash generative and profitable, reporting Adjusted Operating Profit in the year of £7.5 million. See page 2 for definitions of how these metrics are calculated.

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

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

Changes in Accounting policy and disclosures

(a) New standards, interpretations and amendments effective from 1 January 2022

The Group has applied the following new standards, amendments and interpretations for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from Single Transaction
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 16: Leases – Lease Liability in a Sale and Leaseback
- Amendments to IFRS 10 and IAS 28: Consolidated Financial Statements and Investments in Associates and Joint Ventures

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

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

None of the new standards, amendments and interpretations, which are effective for periods beginning after 1 January 2023 and which have not been adopted early, are expected to have a significant effect on the consolidated financial statements of the Group.

Basis of consolidation

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

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

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

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

Notes to the
Consolidated Financial Statements

Revenue recognition

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

The Group derives its revenues from the following categories:-

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

– general consultancy services.

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

Software based activity

Software licence, software subscription and maintenance fees

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

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

– Initial contractual term – The period over which the transaction price for each contract is recognised.

– Auto renewal period – On conclusion of the initial contractual term, customers enter into auto renewal periods which are typically twelve months in length. Under the terms of the contract the customer has no material right to enter into these renewal periods which consequently have been determined as representing a new contract under IFRS 15.

– Optimisation period – The period assessed by management on inception of the contract over which the revenues are recognised, representing the duration of time during which the most significant optimisation and functional enhancement of the software is undertaken. Where this period is greater in length than the initial term of the contract, the revenues recognised across the contractual term are capped at the total value of the contract.

Assessment of performance obligations

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

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

– optimise functionality within the software;

– optimise performance of the software; and

– provide technical and functional enhancements to ensure continued user regulatory compliance.

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

How the combined performance obligation is recognised

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

Method of revenue recognition in respect of the performance obligations

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

Measurement of the development activity is completed by way of the input method, with management providing an initial estimate of the overall expected development hours to be incurred across the contract period. This estimate is then reviewed against actual hours incurred at the end of each reporting period.

Once the Group concludes on the revenue recognition profile, the business determines on a contract by contract basis the period over which the revenues are recognised. This period is defined as the optimisation period and represents the duration of time assessed by management during which the most significant optimisation and functional enhancement of the software is undertaken.

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

Revenue recognition constraint

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

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

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

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

Entry into auto-renewal periods during the optimisation period

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

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

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

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

Entry into auto-renewal periods post optimisation period

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

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

- the level of interrelation between the software licence and services provided;
- the continuing requirements of the client to receive highly functioning, serviced software; and
- the contractual terms and conditions set out in the annual renewal period and whether they are consistent with the initial term

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

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

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

Product specific consultancy (implementation services)

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

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

Financial transactions and usage fees

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

Solution management services

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

Support fees

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

Funded development

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

Commissions

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

Segmental reporting

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

The primary segmental reporting is by operating segment, the Group operates only one segment, this being the Aptitude business. The chief operational decision makers for the segment are Jeremy Suddards (Chief Executive Officer) and Philip Wood (Deputy Chief Executive Officer).

Non-underlying items

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

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

Property, plant and equipment is shown at historic purchase cost less accumulated depreciation and adjusted for any impairment. Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term, full details of the initial recognition and ongoing measurement of these assets is provided within the leasing policy note on page 104. Land is not depreciated. Costs include expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

Notes to the Consolidated Financial Statements

Goodwill

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

Intangible assets

Research and Development ("R&D")

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

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

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

Externally acquired software intellectual property rights

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

Software Intellectual Property Rights

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

Customer relationships

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

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

Interest income and expense

Interest is recognised using the effective interest method.

Impairment of non-financial assets

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

Investments

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

Cash and cash equivalents

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

Share-based payments

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

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

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

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

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

Further details on the Group's share based compensation plans are provided in note 30.

Foreign currency

Items included within the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in sterling, which is the Group's presentational currency.

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

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

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

Notes to the Consolidated Financial Statements

Pensions

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

Tax incentive schemes

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

Current and deferred income tax

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

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

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

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

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

Trade and other receivables

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

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

Trade payables

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

Leasing

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purposes the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

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

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

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

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

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

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

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

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

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

Short term lease and leases of low-value assets

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

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

Share capital

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

Provisions

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

Dividend distribution

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

Dividend income

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

Derivative financial instruments and hedging activities

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

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

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

FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk – Foreign exchange

The Group's major foreign exchange exposures are to the Polish Zloty, US Dollar, Canadian Dollar and Singapore Dollar. Group policy in this area is to eliminate foreign currency cash flows between Group companies once the size and timing of transactions can be predicted with sufficient certainty. This has been achieved by hedging Polish Zloty cash outflows 12 months in advance by using forward foreign currency contracts. These have the effect of fixing the sterling amount of Polish Zlotys to be paid in the future. The average remaining life of the forward exchange contracts at 31 December 2022 was 6 months (2021: 6 months).

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

	2022 £000	2021 £000
Polish Zloty	**(38)**	53
US Dollar	**56**	91
Canadian Dollar	**(5)**	17
Singapore Dollar	**47**	63
	60	224

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

	2022 £000	2021 £000
Polish Zloty	**14**	42
US Dollar	**(841)**	(411)
Canadian Dollar	**(9)**	(4)
Singapore Dollar	**3**	5
	(833)	(368)

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

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

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

	2022				2021			
	PLN CU '000	**USD CU '000**	**CAD CU '000**	**SGD CU '000**	PLN CU '000	USD CU '000	CAD CU '000	SGD CU '000
Trade receivables	**–**	**6,273**	**–**	**178**	–	3,970	–	232
Trade payables	**(1,152)**	**(120)**	**(2)**	**–**	(474)	(184)	(3)	(16)
Foreign currency forwards								
Buy foreign currency (cash flow hedges)	**73,100**	**–**	**–**	**–**	47,750	–	–	–

(b) Market risk – Interest rate

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

In respect of interest payable on borrowings, it is the Group's policy to enter into an interest rate swap so that there is no change in interest payable pursuant to changes in interest rates. The fixed interest rate payable on the Group's credit facility is 2.95% (2021: 2.95%).

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

Given the above policies the table below approximates the impact on the Group's profit before tax of a increase of 100 basis points in interest rates during the year.

	2022 £000	2021 £000
Increase in interest receivable on cash balances	248	402

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

(c) Credit risk

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

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

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

Counterparty	Current Rating (Moody's)	31 December 2022 Balance £000	31 December 2021 Balance £000
Bank A	A3	7,345	14,952
Bank B	A3	12,261	8,051
Bank C	Aa3	6,171	4,542
		25,777	27,545
Customer A	Baa3	540	1,382
Customer B	Baa3	401	814
Customer C	A	399	696
		1,340	2,892

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

The gross trade receivables amount included within the loss allowance calculation has been adjusted for elements which carry no expected credit loss; these being both the upfront annual licence fees and amounts covered by credit insurance which the Group maintains.

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

On that basis, the loss allowance as at 31 December 2022 for the Group was calculated as follows (2021: £21,000):

Group	Not past due £000	Less than one month overdue £000	One to two months overdue £000	Two to three months overdue £000	More than three months overdue £000	Total £000
Expected loss rate	1%	5%	10%	15%	20%	
Net carrying amount – trade receivables**	1,116	546	265	23	232	**2,182**
Amounts subject to loss allowance	1,116	546	265	23	232	**2,182**
Specific loss allowance	–	–	143	–	222	**365**
Loss allowance	11	27	12	3	3	**56**
Total	**11**	**27**	**155**	**3**	**225**	**421**

** Net carrying amount excludes the value of annual licence fees and amounts covered by credit insurance.

The loss allowance for the Company was calculated as being £nil (2021: £nil).

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

(d) Liquidity risk

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

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

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

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

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

Group	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	After 5 years £000
At 31 December 2022				
Borrowings	**1,569**	**1,525**	**7,568**	**–**
Capital lease obligations	**642**	**914**	**1,370**	**1,387**
Trade and other payables	**7,212**	**–**	**–**	**–**
	9,423	**2,439**	**8,938**	**1,387**

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	After 5 years £000
At 31 December 2021				
Borrowings	734	1,643	9,339	–
Capital lease obligations	617	690	1,620	1,632
Derivative financial instruments	293	–	–	–
Trade and other payables	8,358	–	–	–
	10,002	2,333	10,959	1,632

Company	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2022			
Borrowings	**1,569**	**1,525**	**7,568**
Trade and other payables	**14,982**	**–**	**–**
	16,551	**1,525**	**7,568**

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2021			
Borrowings	734	1,643	9,339
Trade and other payables	14,350	–	–
	15,084	1,643	9,339

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

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2022			
Forward foreign exchange contracts			
– cash flow hedges			
Outflow	**(13,045)**	**–**	**–**
Inflow	**13,716**	**–**	**–**
Interest rate swap			
– cash flow hedges			
Outflow	**(319)**	**(655)**	**–**
Inflow	**467**	**960**	**–**
	819	**128**	**–**

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2021			
Forward foreign exchange contracts			
– cash flow hedges			
Outflow	(8,865)	–	–
Inflow	8,601	–	–
Interest rate swap			
- cash flow hedges			
Outflow	(422)	(393)	(902)
Inflow	493	457	1,034
	(193)	64	132

Fair value estimation

Financial instruments not measured at fair value

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

Financial instruments measured at fair value

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

	Level 2	
	2022 £'000	2021 £'000
Financial Assets		
Derivative financial assets (designated hedge instruments)	**1,339**	–
	1,339	–
Financial Liabilities		
Derivative financial liabilities (designated hedge instruments)	**–**	293
	–	293

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

Capital risk management

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

Aptitude Software Group plc manage the capital structure based on the economic conditions and the risk characteristics of the Group. The Board reviews the capital structure regularly. No changes were made to our objectives and processes during 2022.

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

Notes to the
Consolidated Financial Statements

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting judgments

(a) Recognition of revenue

The policy for the recognition of software licences, maintenance and subscription fees is detailed on pages 97 to 101.

Assessment of performance obligations

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

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

How the combined performance obligation should be recognised

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

Revenue recognition constraint

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

Product specific consultancy deferral

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

(b) Impairment of goodwill

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

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

- Information provided to management and the Board utilised to assess the performance of the business and make decisions is done on a consolidated Group basis;

- Key management personnel are compensated based on the performance of the business as a whole;

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

(c) Impairment of other intangibles

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

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

(d) Impairment of investments

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

(e) Development costs

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

Judgement is therefore required in determining the practice for capitalising development costs. The accounting policy for research and product development is detailed on page 102 and in the current year there are no development expenses that have been capitalised (2021: £nil). The total product management, research and development expenditure in the period is £17.0 million (2021: £10.6 million).

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

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

(f) Contingent liabilities

The Group reviews any potential claims, if applicable, to assess if there are any possible obligations, as it has yet to be confirmed whether the entity has a present obligation, or any present obligations of which it is either not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made. Where any of these conditions are met, a contingent liability is disclosed (see Note 33).

Notes to the
Consolidated Financial Statements

Accounting estimates

(a) Recognition of revenue

Method of recognising revenue

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

The estimation of the development activity, principally the number of hours anticipated to be incurred, impacts all customer contracts and therefore as at 31 December 2022, the deferred income balance of £29.6 million (2021: £30.9 million) and accrued income balance £1.1 million (2021: £0.5 million) have been calculated pursuant to estimates. Sensitivity analysis was performed with management considering the impact of a 5% proportional movement in the estimated development effort and determined that in all cases, with all other variables being held constant, the impact on the assets and liabilities presented across both periods was not material.

Fixed price projects

Fixed priced development or consultancy projects also require estimates in respect of the percentage completion of each project. As at 31 December 2022 the value of these projects totalled £0.1 million (2021: £0.5 million) and have been calculated pursuant to estimates. Sensitivity analysis was performed with management considering the impact of a reasonable proportional movement in the estimated percentage completion and determined that in all cases the impact on the assets and liabilities presented across both periods was not material.

Product specific consultancy deferral

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

(b) Taxation

Income tax

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

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

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

USA sales and use tax

The Group continues to review its liability to tax its supplies in a number of states following changes in the interpretation and application of sales tax regulations in the USA. Whilst for the majority of states this review has been concluded, the Group still considers that there is risk, principally within the acquired MPP Global business, that some elements of its supplies in a few remaining states would have been subject to sales tax in previous periods. Consequently, the Group holds a provision totalling £0.3 million (2021: £0.3 million) at the year-end equating to the potential historic sales tax liability the business is exposed to as a result of the risk of non-recoverability from its clients who will bear these costs going forwards. The value of this provision has been determined based on management's estimate of which supplies it believes are captured by the regulation, which clients we have a risk of non-recoverability from and over what historic period this provision should be held against.

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

(c) Intangibles valuation on acquisition

In 2021 the Group completed the acquisition of MPP Global which included the recognition of intangible assets whose value was calculated pursuant to estimates. In respect of the customer relationship and software IPR intangibles recognised, the key estimates underpinning the valuation methodology were:

- Forecast attrition rate applied within the customer base
- Profitability profiles of new and existing customers
- Level of capital expenditure and working capital requirements within the business
- Annual obsolescence rate
- Contributory asset charges for each class of asset
- Forecast revenue and profit profile for the business
- Useful economic life

During the year, the Group found no material change in the key estimates used in the valuation methodology.

(d) Impairment of goodwill

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

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

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

(e) Impairment of receivables

The Group assesses the recoverability of receivables as at the balance sheet date. Where the Group assess recoverability will be unlikely, an impairment is made to the receivable and recognised in the income statement (see Note 16).

Notes to the
Consolidated Financial Statements

1. Segmental information

Business segments

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

The only business segment for both periods was Aptitude and therefore no segmental analysis is provided for this or the corresponding period.

The principal activity of the Group throughout 2021 and 2022 was the provision of business-critical software and services.

(a) Geographical segments

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

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

	Sales revenue by origin		Sales revenue by destination		Profit before income tax	
	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000	**Year ended 31 Dec 2022 £000**	Year ended 31 Dec 2021 £000	**Year ended 31 Dec 2022 £000**	Year ended 31 Dec 2021 £000
United Kingdom	**39,329**	32,265	**15,809**	11,353	**76**	4,134
Rest of World	**35,065**	27,065	**58,585**	47,977	**3,129**	2,095
	74,394	59,330	**74,394**	59,330	**3,205**	6,229

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

	Carrying amount of non-current assets		Capital expenditure	
	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000	**Year ended 31 Dec 2022 £000**	Year ended 31 Dec 2021 £000
United Kingdom	**57,414**	61,196	**349**	843
Rest of World	**16,122**	14,927	**482**	389
	73,536	76,123	**831**	1,232

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

2. Revenue from contracts with customers

(a) Analysis of revenue from contracts with customers

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

Continuing operations

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

	Recurring revenue			Non-recurring revenue			
Year ended 31 Dec 21	United Kingdom £000	Rest of World £000	Total £000	United Kingdom £000	Rest of World £000	£000	Total £000
Revenue from external customers	8,453	31,633	40,086	2,900	16,344	19,244	59,330

All of the revenue displayed in the above table is recognised over time in line with the Group's accounting policy detailed on pages 97 to 101 and has been generated from contracts with customers.

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

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

(b) Assets and liabilities related to contracts with customers

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

(i) Significant movements in accrued and deferred income

Accrued income has increased against the prior year to £1,114,000 at 31 December 2022 (31 December 2021: £523,000) due to timing differences on when the software or service was provided against when it has been invoiced to the customer.

Deferred income has reduced in the year to £29.6 million (31 December 2021: £30.9 million). The reduction, despite the increase in Annual Recurring Revenue in 2022, is attributable to a number of factors. One of the key reasons for the reduction is that for a small number of material new business contracts signed in the final weeks of 2022 (and therefore included in Annual Recurring Revenue at the year-end) invoices were not issued until 2023. An additional contributory reason for the reduction in deferred income is due to multi-year advance payments of Annual Licence Fees by a small number of clients in prior years, resulting in reduced deferred income from these clients at 31 December 2022. No multi-year advance payments were received in 2022.

2. Revenue from contracts with customers (continued)

(ii) Revenue recognised in relation to deferred income

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

	Group Year ended 31 Dec 2022 £000	Group Year ended 31 Dec 2021 £000
Revenue recognised that was included in the deferred income balance at 31 December of the previous period	**29,025**	23,504

(iii) Revenue yet to be recognised on long-term contracts

The following table details the value of future contracted revenue resulting from the Group's fixed price long term software and services contracts which is yet to be recognised in the income statement due to the relevant contractual performance obligations not being satisfied before the year end. These amounts are set to be recognised in the Group's income statement across the period 1 January 2023 to 31 December 2028 on a contract by contract basis as and when the performance obligations are met:

	Group As at 31 Dec 2022 £000	Group As at 31 Dec 2021 £000
Aggregate amount of future contracted revenue in relation to long-term software and service contracts that is not recognised in the income statement as at 31 December	**91,416**	87,260

	Group As at 31 Dec 2022	Group As at 31 Dec 2021
Revenue to be recognised in the Group's income statement:		
Within one year	**35,169**	37,425
Within two to five years	**56,103**	49,236
After five years	**144**	599
	91,416	87,260

All other software and service contracts are billed based on time incurred. As permitted under IFRS 15, these amounts have been excluded for the purposes of the above calculation given the variable nature.

(iv) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to the commission costs of obtaining a contract. This is amortised on a straight-line basis over the optimisation period assessed by management and presented within other long-term assets in the balance sheet. See further details on the optimisation period within the revenue recognition policy.

	Group As at 31 Dec 2022 £000	Group As at 31 Dec 2021 £000
Asset recognised from costs incurred to fulfil a contract at 31 December	**1,307**	1,354
Amortisation recognised as cost of providing services during the year from continuing operations	**572**	638

3 Operating profit

The following items are included in operating costs:

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Employee benefit expense (note 4)	**45,622**	35,412
Depreciation	**1,132**	1,179
Other operating costs	**20,133**	12,839
	66,887	49,430
Non-underlying operating costs:		
Amortisation of intangibles	**3,382**	1,418
Acquisition and associated reorganisation costs	**440**	2,021
	3,822	3,439
	70,709	52,869

The acquisition and associated reorganisation costs are in relation to the continued integration of MPP Global into the Group.

Profit from continuing operations has been arrived at after charging:

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Net foreign exchange gains	**64**	345
Research and development costs	**17,031**	10,593
Depreciation of property, plant and equipment	**1,137**	1,179
Repairs and maintenance expenditure on property, plant and equipment	**240**	234
Low value or short term rental expense	**218**	14

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Fees payable to Company's auditors for the audit of the Parent Company and consolidated financial statements	**130**	135
Fees payable to the Company's auditors and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	**101**	75
– audit of acquisition accounting	**-**	25
	231	235

A description of the work of the Audit Committee is included in the corporate governance statement on pages 43 to 51 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

4 Employees and directors

	Group Year ended 31 Dec 2022 £000	Group Year ended 31 Dec 2021 £000	Company Year ended 31 Dec 2022 £000	Company Year ended 31 Dec 2021 £000
Employee benefit expense during the year				
Wages and salaries	**40,440**	31,113	**752**	972
Social security costs	**3,229**	2,741	**134**	128
Other pension costs	**1,258**	946	**25**	26
Share based payment costs on share options	**695**	612	**37**	5
	45,622	35,412	**948**	1,131

Average monthly number of employees (including directors) for the Group and Company:

	Group Year ended 31 Dec 2022 Number	Group Year ended 31 Dec 2021 Number	Company Year ended 31 Dec 2022 Number	Company Year ended 31 Dec 2021 Number
By location:				
United Kingdom	**182**	124	**7**	8
Rest of World	**316**	262	**-**	-
	498	386	**7**	8

Group headcount at 31 December 2022 was 527 (2021: 476).

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Key management compensation:		
Short-term employee benefits	**2,473**	2,496
Social security costs	**316**	275
Post employment benefits	**85**	86
Share based payment costs on share options	**429**	264
	3,303	3,121

Key management compensation for the Group includes the Board of the Company and senior executives within the Group.

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Directors		
Short-term employee benefits	**1,129**	1,129
Socical security costs	**160**	136
Post employment benefits	**32**	30
Share based payment costs on share options	**213**	70
	1,534	1,365

Average monthly number of Directors and senior executives in respect of continuing operations were 10 (2021: 11). The key management figures given above include the Directors of Aptitude Software Group plc.

The information on Directors' remuneration required by the Companies Act and the Listing Rules of the Financial Conduct Authority is contained in the Directors' Remuneration Report on pages 52 to 80. Amounts displayed throughout the tables above exclude the impact of long term incentive awards and Deferred Bonus Plan awards which have either been exercised in the year or have vested but are yet to be exercised.

5 Net finance cost

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Finance income		
Interest on bank deposits	**18**	6
	18	6
Finance cost		
Interest payable on bank borrowings	**(350)**	(89)
Interest payable on capital lease obligations	**(124)**	(143)
Amortisation of loan arrangement fee	**(24)**	(6)
	(498)	(238)
Net finance cost	**(480)**	(232)

6 Income tax expense

Analysis of charge in the year	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Current tax:		
– tax charge on underlying items	**(1,051)**	(1,005)
– adjustment to tax in respect of prior periods on underlying items	**(344)**	(256)
– adjustment to tax in respect of prior periods on non-underlying items	**–**	134
Total current tax	**(1,395)**	(1,127)
Deferred tax (note 15):		
– tax charge on underlying items	**(111)**	(354)
– tax credit on non-underlying items	**871**	346
– adjustment to tax in respect of prior periods on underlying items	**25**	(20)
Total deferred tax	**785**	(28)
Income tax expense	**(610)**	(1,155)

The net adjustment to tax in respect of prior periods on underlying items totalling £319,000 (2021: £276,000) relates to the reduction in the assumed benefit from research and development relief in the UK.

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

UK corporation tax rates substantively enacted as part of the March 2021 Bill included an increase of the rate to 25% from 1 April 2023 with a retention of the current rate of 19% for years starting April 2020 to April 2022.

6 Income tax expense (continued)

The tax for the year is equal to (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Profit before tax	**3,205**	6,229
Tax at the UK corporation tax rate of 19% (2021: 19%)	**(610)**	(1,184)
Effects of:		
Adjustment to tax in respect of prior periods	**(319)**	(142)
Adjustment in respect of foreign tax rates	**(138)**	(35)
Expenses not deductible for tax purposes	**–**	(12)
Non-underlying expenses not deductible for tax purposes	**(45)**	(384)
Other	**(303)**	105
Research and development tax relief	**561**	408
Recognition of tax losses not recognised as a deferred tax asset	**214**	160
Tax losses not recognised as a deferred tax asset	**-**	(84)
Change in future tax rates	**30**	13
Total taxation	**(610)**	(1,155)

The total tax charge of £610,000 (2021: £1,155,000) represents 19.0% (2021: 18.54%) of the Group profit before tax of £3,205,000 (2021: £6,229,000).

After adjusting for the impact of non-underlying items, change in tax rates, share based payment charge and prior year tax charge, the tax charge for the year of £1,375,000 (2021: £1,652,000) represents 19.57% (2021: 17.10%), which is the tax rate used for calculating the adjusted earnings per share.

7 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares in the form of share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 Dec 2022			Year ended 31 Dec 2021		
	Earnings £000	**Weighted average number of shares (in thousands)**	**Per-share amount pence**	Earnings £000	Weighted average number of shares (in thousands)	Per-share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	**2,595**	**57,288**	**4.5**	5,074	56,675	9.0
Effect of dilutive securities:						
– share options	**-**	**819**	**(0.0)**	-	432	(0.1)
Diluted EPS	**2,595**	**58,107**	**4.5**	5,074	57,107	8.9

To provide an indication of the underlying operating performance per share the adjusted profit after tax figure shown below excludes non-underlying and other items and has a tax charge using the effective rate of 19.57% (2021: 17.10%).

	Year ended 31 Dec 2022		Year ended 31 Dec 2021	
	Basic EPS pence	**Diluted EPS pence**	Basic EPS pence	Diluted EPS pence
Earnings per share	**4.5**	**4.5**	9.0	8.9
Non-underlying items net of tax	**5.2**	**5.1**	5.2	5.2
Prior years' tax charge	**0.6**	**0.6**	0.3	0.2
Recognition of tax losses	**(0.4)**	**(0.4)**	(0.3)	(0.3)
Adjusted earnings per share	**9.9**	**9.8**	14.2	14.0

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Profit before tax and non-underlying items	**7,027**	9,668
Tax charge at a rate of 19.57% (2021: 17.10%)	**(1,375)**	(1,652)
	5,652	8,016
Prior years' tax charge	**(320)**	(142)
Non-underlying items net of tax	**(2,951)**	(2,960)
Recognition of tax losses	**214**	160
Profit on ordinary activities after tax	**2,595**	5,074

Notes to the
Consolidated Financial Statements

8 Dividends

	2022 pence per share	2021 pence per share	2022 £000	2021 £000
Dividends paid:				
Interim dividend	**1.80**	1.80	**1,032**	1,019
Final dividend (prior year)	**3.60**	3.60	**2,061**	2,038
	5.40	5.40	**3,093**	3,057
Proposed but not recognised as a liability:				
Final dividend (current year)	**3.60**	3.60	**2,064**	2,059

The proposed final dividend was approved by the Board on 20 March 2023 but was not included as a liability as at 31 December 2022, in accordance with IAS 10 'Events after the Balance Sheet date'. If approved by the shareholders at the Annual General Meeting this final dividend will be payable on 16 June 2023 to shareholders on the register at the close of business on 26 May 2023.

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

	Right-of-use assets £000	Leasehold improvements £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Group					
Cost					
At 1 January 2022	6,334	621	4,539	440	**11,934**
Additions	829	-	766	65	**1,660**
Disposals	(2,549)	-	(75)	(11)	**(2,635)**
Exchange movements	-	-	153	-	**153**
At 31 December 2022	**4,614**	**621**	**5,383**	**494**	**11,112**
Accumulated depreciation					
At 1 January 2022	3,555	77	3,718	323	**7,673**
Charge for the year (note 3)	498	91	443	100	**1,132**
Disposals	(2,549)	-	(75)	(3)	**(2,627)**
Exchange movements	-	-	(169)	-	**(169)**
At 31 December 2022	**1,504**	**168**	**3,917**	**420**	**6,009**
Net book amount					
At 31 December 2022	**3,110**	**453**	**1,466**	**74**	**5,103**

9 Property, plant and equipment including right-of-use assets (continued)

	Right-of-use assets £000	Leasehold improvements £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Group					
Cost					
At 1 January 2021	6,547	424	4,942	455	**12,368**
Additions	2,599	510	623	99	**3,831**
On acquisition of subsidiary	216	-	21	-	**237**
Disposals	(3,028)	(304)	(868)	(108)	**(4,308)**
Exchange movements	-	(9)	(179)	(6)	**(194)**
At 31 December 2021	**6,334**	**621**	**4,539**	**440**	**11,934**
Accumulated depreciation					
At 1 January 2021	4,953	379	4,293	349	**9,974**
Charge for the year (note 3)	604	6	496	73	**1,179**
Disposals	(2,002)	(304)	(868)	(97)	**(3,271)**
Exchange movements	-	(4)	(203)	(2)	**(209)**
At 31 December 2021	**3,555**	**77**	**3,718**	**323**	**7,673**
Net book amount					
At 31 December 2021	**2,779**	**544**	**821**	**117**	**4,261**

All the Group's right-of-use assets relate to the capital lease agreements for various office space.

	Plant & machinery £000	Total £000
Company		
Cost		
At 1 January 2022	441	**441**
Additions	11	**11**
At 31 December 2022	**452**	**452**
Accumulated depreciation		
At 1 January 2022	428	**428**
Charge for the year	9	**9**
At 31 December 2022	**437**	**437**
Net book amount		
At 31 December 2022	**15**	**15**

9 Property, plant and equipment including right-of-use assets (continued)

	Plant & machinery £000	Total £000
Company		
Cost		
At 1 January 2021	440	**440**
Additions	1	**1**
Disposals	-	**-**
At 31 December 2021	**441**	**441**
Accumulated depreciation		
At 1 January 2021	404	**404**
Charge for the year	24	**24**
Disposals	-	**-**
At 31 December 2021	**428**	**428**
Net book amount		
At 31 December 2021	**13**	**13**

10 Goodwill

	31 Dec 2022 £000	31 Dec 2021 £000
Cost		
At 1 January	**46,006**	23,787
Acquisition of subsidiary (note 28)	**-**	22,219
At 31 December	**46,006**	46,006
Net book amount	**46,006**	**46,006**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Aptitude £000	Total £000
At 1 January and 31 December 2022	**46,006**	**46,006**

The acquisition of a subsidiary totalling £22.2 million in 2021 represents the amount of goodwill on acquisition of the MPP Global Solutions business, which was acquired on 9 October 2021, see note 28 for details.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The group is a single CGU and determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which all goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

For the purposes of performing the goodwill impairment review, the Group have utilised the Board approved plans for the three-year period to 31st December 2025 followed by anticipated growth in operating profit of 10% per annum for the period 2026-2027. The growth rates and assumptions applied were based on the Group's assessment of the future opportunities within the market.

10 Goodwill (continued)

The terminal growth rates for the period after 2027 are no greater than 2.25% (2021: 2.25%) per annum. The utilisation of deferred tax losses to offset the tax payable has not been considered. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate applied to the CGU was 13.5% (2021: 13.1%).

Sensitivity analysis was performed on the business with a reasonable proportional movement in any combination of the assumptions not resulting in an impairment.

11 Intangible assets

	Software IPR £000	Customer relationships £000	Total £000
Group			
Cost			
At 1 January 2022	17,872	10,869	28,741
At 31 December 2022	**17,872**	**10,869**	**28,741**
Accumulated amortisation and impairment			
At 1 January 2022	2,535	1,704	4,239
Amortisation	2,109	1,273	3,382
At 31 December 2022	**4,644**	**2,977**	**7,621**
Net book amount			
At 31 December 2022	**13,228**	**7,892**	**21,120**

	Software IPR £000	Customer relationships £000	Total £000
Group			
Cost			
At 1 January 2021	5,012	3,449	8,461
Acquisition (note 28)	12,860	7,420	20,280
At 31 December 2021	**17,872**	**10,869**	**28,741**
Accumulated amortisation and impairment			
At 1 January 2021	1,671	1,150	2,821
Amortisation	864	554	1,418
At 31 December 2021	**2,535**	**1,704**	**4,239**
Net book amount			
At 31 December 2021	**15,337**	**9,165**	**24,502**

The Company held no intangible assets during the year (2021: £nil).

The externally acquired software intellectual property rights (IPR) relates to expected future benefits of software and development projects in progress at the date of acquisition. As at 31 December 2022 no internal research and development costs have been capitalised. The client relationships relate to expected benefits to be obtained from recurring levels of business from clients obtained as a result of acquisitions. The useful lives of the intangible assets acquired as part of the acquisition of Revstream in 2017 have been determined as 10 years in respect of both software IPR and customer relationships (2021: 10 years). The useful lives of the intangible assets acquired as part of the acquisition of MPP Global in 2021 have been determined as 8 years in respect of both software IPR and customer relationships (2021: 8 years).

The amortisation charge in the year is shown in non-underlying costs.

12 Investments in subsidiaries

The Group did not hold any investments in 2022 (2021: £nil).

	2022 £000	2021 £000
Company		
Cost		
At 1 January	**96,788**	57,126
Additions (note 28)	**-**	39,055
Share based payments – share options granted to employees of subsidiaries	**672**	607
At 31 December	**97,460**	**96,788**
Impairment		
At 1 January and 31 December	**28,950**	28,950
Net book amount		
At 31 December	**68,510**	67,838

Investments are held at cost less provisions for impairment. If there is an impairment trigger then the recoverable amounts of the investments are determined by calculating a value in use for the appropriate subsidiary investment. Management estimates discount rates using pre–tax rates that reflect current market assessments of the time value of money and the risks specific to the subsidiary investments.

Where the investment is held in a company which is no longer trading, the value is derived from the carrying value of the net assets on the balance sheet of that entity.

The Directors consider the value of the investments to be supported by their underlying assets and consider there to be no indicators of impairment.

Subsidiaries	Country	Activity
Aptitude Software (Canada) Limited *	Canada	Employment and Group Services
Aptitude Software Inc.*	USA	Software and Services
Aptitude Software Limited	England & Wales	Software and Services
Aptitude Software (Poland) sp. z o.o.*	Poland	Development
Aptitude Software (Singapore) pte. Limited	Singapore	Software and Services
Aptitude Revstream Inc.*	USA	Software and Services
MPP Global Solutions Limited	England & Wales	Software and Services
MPP Global Solutions Inc*	USA	Software and Services
MPP Global Solutions kk*	Japan	Software and Services

* Indirectly held by Aptitude Software Group plc

As at 31 December 2022, the Company owns 100% of the ordinary share capital and share premium in the above subsidiaries.

12 Investments in subsidiaries (continued)

The registered office of the Group's principal subsidiaries which is not that of the Company are detailed below:

Subsidiary	Registered office
Aptitude Software (Canada) Limited	1055 West Georgia Street, Suite 1500 Royal Centre, PO Box 11117, Vancouver, British Columbia, V6E 4N7, Canada
Aptitude Software Inc	CT Corporation System, 111 8th Avenue, New York, 10011
Aptitude Software (Poland) sp. z o.o.	ul. Muchoborska 6, 54-424 Wroclaw, Poland
Aptitude Software (Singapore) pte. Limited	600 North Bridge Road, 23-01 Parkway Square, Singapore (188778)
Aptitude RevStream Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle Delaware, 19801
MPP Global Solutions Inc	CT Corporation System, 111 8th Avenue, New York, 10011
MPP Global Solutions kk	Tobu Bidg 6F, 6 Chrome-28-9 Jingumae, Shibuya, Tokyo 150-0001

13 Other long-term assets

	Group 2022 £000	Group 2021 £000
Prepaid commission costs	**1,307**	1,354

Per IFRS 15, the Group's assessment is that commission incurred on software licence sales meets the definition of incremental costs of obtaining a contract. An asset is therefore recognised at inception of the contract for the total value of commissions payable which is then amortised across the optimisation period assessed for each customer. Further detail on the optimisation period can be found in the Group's revenue recognition policy detailed on page 98.

The Company held no other long term assets during the year (2021: £nil).

14 Income tax assets

As at 31 December 2022, the Group has income tax assets totalling £1,352,000 (2021: £1,168,000), all of which is expected to be recovered within 12 months. These amounts have been created through the benefit from additional research and development relief and share option deductions and are refundable from the relevant tax authorities or offset against future tax instalments.

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% for all balances unless recoverable before 1 April 2023 (2021: 19% for balances expected to be recovered within 12 months and 25% for all subsequent periods). USA deferred tax is calculated using an effective rate of 27% being made up of 21% federal and 6% state tax (2021: 28% made up of 21% federal and 7% state tax).

Deferred tax	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Deferred tax				
– Deferred tax assets	**423**	115	**–**	147
– Deferred tax liabilities	**(5,724)**	(5,811)	(116)	–
Deferred tax (liability)/asset	**(5,301)**	(5,696)	**(116)**	147

Net deferred tax (liability)/ asset	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
At 1 January	**(5,696)**	(788)	**147**	67
Total (charge) to income statement for the year	**(116)**	(387)	**(28)**	(4)
(Charge)/credit to equity (note 26)	**(137)**	190	**(55)**	72
Charge to other comprehensive income (note 25)	**(335)**	–	**(203)**	–
On acquisition of subsidiaries	**–**	(5,070)	**–**	–
Exchange differences	**82**	–	**–**	–
Non-underlying deferred tax credit to the income statement for the year	**871**	346	**–**	–
Changes in tax rate	**30**	13	**23**	12
At 31 December	**(5,301)**	(5,696)	**(116)**	147

Deferred tax assets have been recognised in respect of taxable losses and other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

Deferred tax asset	Accelerated capital allowances £000	Short term timing differences £000	Share-based payments £000	Taxable trading losses £000	Total £000
Group					
At 1 January 2021	40	757	124	–	921
Total charge to income statement for the year	(40)	(259)	(6)	–	(305)
Credit to equity (note 26)	–	–	190	–	190
Changes in tax rate	–	29	9	–	38
At 31 December 2021	**–**	**527**	**317**	**–**	**844**
Total (charge)/credit to income statement for the year	–	(176)	8	–	(168)
Charge to equity (note 26)	–	–	(137)	–	(137)
Changes in tax rate	–	72	11	–	83
At 31 December 2022	**–**	**423**	**199**	**–**	**622**
Amounts offset against deferred tax liability	–	–	(199)	–	(199)
Net deferred tax asset at 31 December 2022	**–**	**423**	**–**	**–**	**423**

15 Deferred tax (continued)

At 31 December 2022, the Group had unused tax losses totalling £1,029,000 (2021: £1,029,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the these losses due to the unpredictability of future profit streams.

	Accelerated capital allowances £000	Short term timing differences £000	Share-based payments £000	Cash flow hedge £000	Total £000
Company					
At 1 January 2021	**33**	**1**	**33**	**–**	**67**
Total (charge)/credit to income statement for the year	(4)	3	(3)	–	(4)
Change in tax rate	12	–	–	–	12
Credit to equity (note 26)	–	–	72	–	72
At 31 December 2021	**41**	**4**	**102**	**–**	**147**
Total (charge) to income statement for the year	(7)	–	(21)	–	(28)
Change in tax rate	23	–	–	–	23
(Charge) to equity (note 26)	–	–	(55)	–	(55)
Charge to other comprehensive income (note 25)	–	–	–	(203)	(203)
At 31 December 2022	**57**	**4**	**26**	**(203)**	**(116)**

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax liability arising on cash flow hedges, acquisitions of intangible fixed assets and accelerated depreciation:

	Accelerated depreciation £000	Share-based payments £000	Cash flow hedges £000	Total £000
Group				
At 1 January 2021	**(61)**	**(1,648)**	**–**	**(1,709)**
Non-underlying deferred tax credit to the income statement for the year	–	346	–	346
On acquisition of subsidiary	–	(5,070)	–	(5,070)
Total credit to income statement for the year	(82)	–	–	(82)
Change in tax rate	(37)	12	–	(25)
At 31 December 2021	**(180)**	**(6,360)**	**–**	**(6,540)**
Non-underlying deferred tax credit to the income statement for the year	–	871		871
Total credit to income statement for the year	79	–	–	79
Charge to other comprehensive income (note 25)	–	–	(335)	(335)
Change in tax rate	2	–	–	2
At 31 December 2022	**(99)**	**(5,489)**	**(335)**	**(5,923)**
Deferred tax asset amounts offset against deferred tax liability				199
Net deferred tax liability at 31 December 2022				**(5,724)**

Explanation of the movements in the year is provided on page 130.

16 Trade and other receivables

	Group 31 Dec 2022 £000	Group 31 Dec 2021 £000	**Company 31 Dec 2022 £000**	Company 31 Dec 2021 £000
Trade receivables	**10,091**	8,833	**–**	–
Less: provision for impairment of receivables	**(421)**	(21)	**–**	–
Trade receivables – net	**9,670**	8,812	**–**	–
Other receivables	**–**	330	**–**	–
Prepayments	**1,513**	1,110	**452**	295
Accrued income	**1,114**	523	**–**	–
	12,297	10,775	**452**	295

Within the trade receivables balance of £10,091,000 (2021: £8,833,000) there are balances totalling £4,057,000 (2021: £1,544,000) which, at 31 December 2022, were overdue for payment. Of this balance £2,841,000 (2021: £1,341,000) has been collected at 17 March 2023 (2021: 14 March 2022). The ageing of the trade receivables is as follows:

	Trade receivables	
The ageing of the trade receivables is as follows:	**31 Dec 2022 £000**	31 Dec 2021 £000
Not past due	**6,034**	7,289
Past due		
Less than one month overdue	**1,484**	1,146
One to two months overdue	**1,479**	346
Two to three months overdue	**352**	41
More than three months overdue	**742**	11
At 31 December	**10,091**	8,833

The Company had no trade receivables in either year.

Trade and other receivables are denominated in the following currencies:

	Group 31 Dec 2022 £000	Group 31 Dec 2021 £000	**Company 31 Dec 2022 £000**	Company 31 Dec 2021 £000
Sterling	**5,415**	6,458	**452**	295
United States Dollars	**6,683**	4,243	**–**	–
Other	**199**	74	**–**	–
	12,297	10,775	**452**	295

Movements on the provision for impairment of trade receivables are as follows:

	Group 31 Dec 2022 £000	Group 31 Dec 2021 £000
At 1 January	**21**	–
Charged to income statement	**35**	21
Specific provision charged to income statement	**365**	–
At 31 December	**421**	21

Movements in the provision for impaired trade receivables have been included in the income statement under other operating costs. No amounts were written off as unrecoverable to the income statement during the year (2021: £nil). The increase in the provision for impairment of receivables is in respect of outstanding invoices from a client which has ceased the implementation of the Group's products. Non–trade receivables do not contain any impaired assets.

16 Trade and other receivables (continued)

Whilst the Group retains credit insurance in respect of certain balances, the maximum exposure to credit risk at the reporting date is the fair value of each receivable class mentioned above. No collateral is held as security against these assets.

17 Financial instruments

At the balance sheet date, the fair value of outstanding forward foreign exchange contracts and the interest rate swap are:

	31 Dec 2022		31 Dec 2021	
Group	**Assets £000**	**Liabilities £000**	Assets £000	Liabilities £000
Interest rate swaps – cash flow hedges	**812**	–	–	29
Forward foreign exchange contracts – cash flow hedges	**527**	–	–	264
	1,339	**–**	–	293

	31 Dec 2022		31 Dec 2021	
Company	**Assets £000**	**Liabilities £000**	Assets £000	Liabilities £000
Interest rate swaps – cash flow hedges	**812**		–	29
	812	**–**	–	29

Total derivatives designated as hedging instruments

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets/liabilities in the consolidated statement of financial position.

Currency derivatives

As in previous years, forward foreign exchange contracts are used to hedge a proportion of both the Group's forecast Polish Zloty denominated costs over the next 12 months. The forward exchange contracts mature across the year.

The notional principal amounts outstanding at the balance sheet date are as follows:

	31 Dec 2022 £000	31 Dec 2021 £000
Forward foreign exchange contracts – Polish Zloty	**13,045**	8,865

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of highly probable forecast transactions (i.e. notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts are identical to the hedged risk components. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks.

In these hedge relationships, the main sources of ineffectiveness are:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indices (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments

17 Financial instruments (continued)

- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

At 31 December 2022, the fair value of the Group's currency derivatives is estimated to be an asset of approximately £527,000, (2021: £264,000 of liabilities), based on quoted market values.

The forward contracts are designated as effective as cash flow hedges in accordance with IFRS 9 'Financial Instruments'. The fair value has been recognised in other comprehensive income and presented in the hedging reserve in equity.

Derivatives designated in hedging relationships at 31 December 2022:

	Maturity		
Polish Zloty (highly probable forecast purchase)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	**6,798**	**6,247**	**13,045**
Average GBP:Zloty contract value	**5.59**	**5.62**	**5.60**

Derivatives designated in hedging relationships at 31 December 2021:

	Maturity		
Polish Zloty (highly probable forecast purchase)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	4,126	4,739	8,865
Average GBP:Zloty contract value	5.31	5.45	5.39

The ineffectiveness recognised in the income statement for the year ending 31 December 2022 was £43,000 (2021: £nil). The amount recycled to the income statement in respect of contracts that matured in 2022 was a loss of £187,000 (2021: £nil).

The effective fair value gain from hedging recognised in other comprehensive income during the year ending 31 December 2022 was £604,000 (2021: expense of £222,000).

Interest rate swap

The Group and Company entered into floating-to-fixed interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at floating rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swap contract match the terms of highly probable forecast transactions (i.e. notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap contract are identical to the hedged risk components. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks.

At 31 December 2022, the fair value of the Group's currency derivatives is estimated to be an asset of approximately £812,000 (2021: £29,000 liability) based on discounting the expected future cash flows at prevailing interest rates and are based on market prices at the balance sheet date.

The interest rate swap is designated as an effective cash flow hedge in accordance with IFRS 9 'Financial Instruments'. The fair value movement has been recognised in other comprehensive income and presented in the hedging reserve in equity.

17 Financial instruments (continued)

Derivatives designated in hedging relationships at 31 December 2022:

	Fixed to floating	Floating to fixed
Notional amount (£000)	9,688	9,688
Weighted average hedged rate	SONIA + 1.75%	2.95%

The ineffectiveness recognised in the income statement for the year ending 31 December 2022 was £nil (2021: £nil).

The effective fair value gain from hedging recognised in other comprehensive income during the year ending 31 December 2022 was £841,000 (2021: £29,000 expense).

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year-end exchange rates.

		31 Dec 2022		31 Dec 2021	
	Note	**Book value £000**	**Fair value £000**	Book value £000	Fair value £000
Group					
Cash at bank and in hand	18	**29,245**	**29,245**	29,064	29,064

		31 Dec 2022		31 Dec 2021	
	Note	**Book value £000**	**Fair value £000**	Book value £000	Fair value £000
Company					
Cash at bank and in hand	18	**14,340**	**14,340**	19,498	19,498

The carrying amount of borrowings, short term payables and receivables, net of impairment, is equal to their fair value.

Neither the Group or the Company defaulted on any loans during the year. In addition the Group and Company did not breach the terms of any loan agreements during the year.

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to the customer type.

Group	**2022 £000**	2021 £000
Trade receivables		
Banks and financial institutions	**1,641**	1,935
Other corporates	**4,393**	5,354
Total current trade receivables	**6,034**	7,289
Overdue trade receivables	**4,057**	1,544
Total trade receivables	**10,091**	8,833

17 Financial instruments (continued)

Cash at bank and short-term bank deposits

Current Rating (Moody's)	2022 £000	2021 £000
A3	**22,666**	–
Aa3	**6,468**	27,545
Aa1	**111**	–
A2	**–**	1,417
Aa2	**–**	102
	29,245	29,064

None of the financial assets that are fully performing have been renegotiated in the last year.

18 Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	Group 31 Dec 2022 £000	Group 31 Dec 2021 £000	Company 31 Dec 2022 £000	Company 31 Dec 2021 £000
Sterling	**15,525**	19,641	**14,340**	19,498
United States Dollar	**13,112**	8,574	**–**	–
Euros	**212**	361	**–**	–
Canadian Dollar	**285**	227	**–**	–
Polish Zloty	**44**	225	**–**	–
Singapore Dollar	**49**	29	**–**	–
Japanese Yen	**18**	7	**–**	–
Cash at bank and in hand	**29,245**	29,064	**14,340**	19,498

The effective interest rate on short term deposits was 0.0% (2021: 0.0%).

19 Financial liabilities

	Group 31 Dec 2022 £000	Group 31 Dec 2021 £000	Company 31 Dec 2022 £000	Company 31 Dec 2021 £000
Bank loan	**9,597**	9,886	**9,597**	9,886
The borrowings are repayable as follows:				
Within one year	**1,250**	313	**1,250**	313
In the second year	**8,438**	1,250	**8,438**	1,250
In the third to fifth years inclusive	**–**	8,437	**–**	8,437
	9,688	10,000	**9,688**	10,000
Unamortised prepaid facility arrangement fees	**(91)**	(114)	**(91)**	(114)
As at 31 December	**9,597**	9,886	**9,597**	9,886

On 15 October 2021, the Group and Company entered into a loan agreement with Bank of Ireland consisting of a £10 million term loan in addition to a revolving credit facility of £10 million. The loan is secured on all the assets of the Group. Operating covenants are limited to the Group's net debt leverage and interest cover. The term loan is repayable over three years with an initial 12-month repayment holiday followed by annual capital repayments of £1,250,000. The Group can request a further one year extension to the loan. At the end of the term, a bullet payment for the remaining balance of the loan is due. The loan is denominated in Pound Sterling and carries interest at

SONIA plus 1.75%. The Group entered into an interest swap on 2 November 2021, effectively fixing the interest rate at 2.95% over the term of the loan.

20 Trade and other payables

	Group 31 Dec 2022 £000	Group 31 Dec 2021 £000	Company 31 Dec 2022 £000	Company 31 Dec 2021 £000
Trade payables	**826**	1,290	**63**	102
Amounts owed to group undertakings	**–**	–	**14,330**	13,083
Other tax and social security payable	**1,370**	1,216	**–**	29
Other payables	**204**	405	**–**	428
Accruals	**6,183**	6,462	**589**	737
Deferred income	**29,563**	30,911	**–**	–
	38,146	40,284	**14,982**	14,379

The amounts owed to group undertakings are unsecured, interest free and repayable upon demand.

Deferred income has reduced in the year to £29.6 million (31 December 2021: £30.9 million). The reduction, despite the increase in Annual Recurring Revenue in 2022, is attributable to a number of factors. One of the key reasons for the reduction is that for a small number of material new business contracts signed in the final weeks of 2022 (and therefore included in Annual Recurring Revenue at the year-end) invoices were not issued until 2023. An additional contributory reason for the reduction in deferred income is due to multi-year advance payments of Annual Licence Fees by a small number of clients in prior years, resulting in reduced deferred income from these clients at 31 December 2022. No multi-year advance payments were received in 2022.

The Company borrowed £1,247,000 from group undertakings during the year (2021: borrowed £11,377,000 to group undertakings) representing the movement on the net amount owed to or from group undertakings from the start of the year to the year end. These amounts are detailed in both note 16 and the table above with the cash impact incorporating non-cash movements totalling £nil (2021: £259,000). Gross borrowings during the year totalled £59,184,000 net of £57,937,000 payments (2021: borrowings of £22,704,000 net of £11,327,000 payments). The movements in the year are in relation to the Group's treasury arrangements.

21 Capital lease obligations

The Group leases various office spaces which, following the adoption of IFRS 16, met the criteria set out to be recognised as capital lease agreements.

	Group 31 Dec 2022 £000	Group 31 Dec 2021 £000
Amounts payable under capital lease arrangements:		
Within one year	**642**	387
Within two to five years	**2,284**	1,624
After five years	**1,387**	1,632
Total	**4,313**	3,643
Less: future finance charges	**(564)**	(593)
Present value of lease obligations	**3,749**	3,050
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(553)**	(273)
As at 31 December	**3,196**	2,777

	Group 31 Dec 2022 £000	Group 31 Dec 2021 £000
The present value of financial lease liabilities is split as follows:		
Within one year	**553**	273
Within two to five years	**1,897**	1,287
After five years	**1,299**	1,490

3,749	3,050

21 Capital lease obligations (continued)

The Company had no capital lease obligations during the year (2021: £nil).

	Group 31 Dec 2022 £000	Group 31 Dec 2021 £000
Liability as at 1 January	**3,050**	1,853
Additions	**830**	2,599
Interest	**123**	143
On acquisition of subsidiary (note 28)	**–**	279
De-recognition	**–**	(1,026)
Foreign exchange	**151**	(42)
Repayments	**(405)**	(756)
Liability as at 31 December	**3,749**	3,050

Total cash outflows from all leases totalled £716,000 (2021: £999,000), of which £311,000 (2021: £243,000) related to short term or low value leases. These amounts are displayed within the cash flows from operating activities in the statement of cash flows.

22 Provisions

	Provisions	
	31 Dec 2022 £000	31 Dec 2021 £000
Group		
At 1 January	**379**	441
Charged to income statement	**(76)**	(142)
On acquisition of subsidiary	**–**	89
Foreign exchange	**13**	(9)
At 31 December	**316**	379

Provisions have been analysed between current and non-current as follows:

	Provisions	
	31 Dec 2022 £000	31 Dec 2021 £000
Current	**114**	–
Non-current	**202**	379
	316	379

£273,000 (2021: £334,000) of the total provision at 31 December 2022 of £316,000 (2021: £379,000) relates to the cost of dilapidations in respect of its occupied leasehold premises. The remaining £43,000 (2021: £45,000) is in relation to Poland pension provisions.

All of the non-current provision is expected to unwind within 2 to 5 years (2021: £379,000).

23 Share capital

	31 Dec 2022		31 Dec 2021	
	Number	**£000**	Number	£000
Group and company				
Ordinary shares of 7 1/3p each				
Issued and fully paid:				
At 1 January	**57,199,448**	**4,194**	56,428,967	4,143
Issued under share option schemes	**138,163**	**10**	277,944	15
Equity consideration on acquisition	**–**	**–**	492,537	36
At 31 December	**57,337,611**	**4,204**	57,199,448	4,194

The number of ordinary shares for which Aptitude employees hold options and the period to which the options are exercisable are as follows (note 30):

Period	Year of grant	Exercise price	**2022 Number**	2021 Number
Between March 2022 and 10 August 2027	2017	6 3/7p	**–**	75,327
Between 30 August 2023 and 10 August 2028	2018	6 3/7p	**28,431**	28,431
Between 1 November 2021 and 1 May 2022	2018	410.0p	**–**	4,390
Between 1 November 2021 and 1 May 2022	2018	418.0p	**–**	27,376
Between 12 March 2022 and 10 August 2029	2019	7 1/3p	**63,842**	147,786
Between 12 March 2024 and 10 August 2029	2019	7 1/3p	**3,572**	89,206
Between 1 November 2022 and 1 May 2023	2019	590.0p	**2,623**	11,565
Between 1 November 2022 and 1 May 2023	2019	600.0p	**64,678**	90,322
Between 12 March 2022 and 10 August 2029	2020	7 1/3p	**179,000**	253,278
Between 12 March 2024 and 10 August 2029	2020	7 1/3p	**123,669**	123,669
Between 1 November 2023 and 1 May 2024	2020	460.0p	**221,357**	316,169
Between 1 November 2023 and 1 May 2024	2020	446.0p	**40,058**	72,337
Between 12 March 2023 and 10 August 2030	2021	7 1/3p	**207,076**	268,156
Between 12 March 2025 and 10 August 2030	2021	7 1/3p	**98,610**	98,610
Between 1 November 2024 and 1 May 2025	2021	692.0p	**10,671**	20,987
Between 1 November 2024 and 1 May 2025	2021	700.0p	**61,720**	117,404
Between 22 November 2025 and 22 May 2032	2022	7 1/3p	**460,351**	–
Between 22 November 2027 and 22 May 2032	2022	7 1/3p	**164,893**	–
Between 1 December 2025 and 1 May 2026	2022	372.5p	**118,761**	–
Between 1 December 2025 and 1 May 2026	2022	335.0p	**465,798**	–
			2,315,110	1,745,013

24 Share premium account

	2022 £000	2021 £000
Group and Company		
At 1 January	**11,946**	7,828
Premium on shares issued during the year under the share option schemes	**13**	953
Premium on shares issued as part of equity consideration on acquisition	**–**	3,165
At 31 December	**11,959**	11,946

The total net proceeds from the issuance of shares during the year was £23,000 (2021: £968,000) with £10,000 (2021: £15,000) of this being recognised within share capital, being the nominal value of shares issued. The remaining amount represents the premium on issue which is detailed in the table above.

25 Other reserves

	Derivatives hedge reserve £000	Merger reserve £000	Total £000
Group			
Cash flow hedges			
At 1 January 2021	(71)	34,195	34,124
Net fair value losses in the period	(222)	–	(222)
At 31 December 2021	(293)	34,195	33,902
Cash flow hedges reclassified to income statement	187	–	187
Gain on effective cash flow hedges	1,445	–	1,445
Deferred tax on cash flow hedges	(335)	–	(335)
At 31 December 2022	**1,004**	**34,195**	**35,199**

	Derivatives hedge reserve £000	Merger reserve £000	Total £000
Company			
Cash flow hedges			
At 1 January 2021	–	17,398	17,398
(Loss) on effective cash flow hedges	(29)	–	(29)
At 31 December 2021	(29)	17,398	17,369
Gain on effective cash flow hedges	812	–	812
Deferred tax on cash flow hedges	(203)	–	(203)
At 31 December 2022	**580**	**17,398**	**17,978**

26 (Accumulated losses)/retained earnings

	Group £000	Company £000
At 1 January 2021	(6,165)	22,407
Profit/(loss) for the year	5,074	(1,918)
Share options – value of employee service (note 30)	612	612
Deferred tax on share options (note 15)	190	72
Dividends paid (note 8)	(3,057)	(3,057)
At 31 December 2021	(3,346)	18,116
Profit/(loss) for the year	2,595	(791)
Share options – value of employee service (note 30)	695	695
Deferred tax on share options (note 15)	(137)	(55)
Dividends paid (note 8)	(3,093)	(3,093)
At 31 December 2022	**(3,286)**	**14,872**

The loss for the financial year dealt with in the financial statements of the Company was £791,000 (2021: loss of £1,918,000). As permitted by Section 408 of the Companies Act 2006, no separate income statement or statement of comprehensive income is presented in respect of the Company.

Of the Company's £14,872,000 retained earnings, £12,998,000 (2021: £16,822,000) is distributable to shareholders following adjustment for the cumulative impact of share options value of service through reserves.

27 Cash flows from operating activities

Reconciliation of profit before tax to net cash generated from operations:

	Group Year ended 31 Dec 2022 £000	Group Year ended 31 Dec 2021 £000	**Company Year ended 31 Dec 2022 £000**	Company Year ended 31 Dec 2021 £000
Profit before tax for the period	**3,205**	6,229	**(791)**	(1,928)
Adjustments for:				
Depreciation	**1,132**	1,179	**9**	24
Amortisation	**3,382**	1,418	**–**	–
Share-based payment expense	**695**	612	**22**	5
Finance income	**(18)**	(6)	**(18)**	(6)
Finance costs	**498**	238	**375**	95
Changes in working capital:				
(Increase)/decrease in receivables	**(1,485)**	(1,561)	**(157)**	(78)
(Decrease)/increase in payables	**(2,137)**	3,930	**(643)**	387
(Decrease) in provisions	**–**	(149)	**–**	–
Cash generated from/(used in) operations	**5,272**	11,890	**(1,203)**	(1,501)

28 Acquisitions

MPP Global Solutions Limited ('MPP Global')

On 9 October 2021 the Group acquired the entire share capital and voting rights of MPP Global Solutions Limited for consideration of £39.1 million, which included £35.4 million of cash. Of the consideration, £35.4 million was payable in cash at completion, £3.2 million was satisfied by the issue of 492,537 new ordinary shares with a fair value of 650 pence on date of acquisition with the balance being settled by way of tax relief consideration totalling the 2020 R&D credit receivable by the business on submission of their UK tax return.

29 Commitments

The Group and Company have no commitments other than short term leases or a lease of low-value assets during the year (2021: £nil).

30 Share based payments

Performance Share Plan (PSP)

Under the 2016 Performance Share Plan (PSP), the Remuneration Committee is allowed to grant conditional allocations of par value options in the Company to key executives. The contractual life of an option is 10 years. The PSP is considered a Long Term Incentive Plan (LTIP) award.

629,518 options were granted on 22 November 2022 (2021: 370,578 awards granted). The performance conditions are in line with those described for the executive Directors on page 72.

The inputs inserted into the Monte Carlo Pricing model for the options granted in 2022 are detailed below.

Item	Value
Exercise price	7 1/3p
Expected volatility	40%
Dividend yield	1.5%
Risk-free interest rate	3.0%
Share price at grant date	363p

For the calculation of the expected volatility, historical share price volatility was used as a guide over a commensurate period to the expected term of awards.

At the year end there were 53 (2021: 49) employees currently participating in the scheme. Exercise of an option is subject to continued employment.

Details of the share options outstanding under the PSP during the year are as follows:

	2022		2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	**1,084,463**	**7.25p**	942,279	6.72p
Granted	**629,518**	**7 1/3p**	370,578	7 1/3p
Exercised	**(134,902)**	**6.43p**	(50,939)	6.43p
Lapsed	**(249,635)**	**7 1/3p**	(177,455)	6.52p
Outstanding at 31 December	**1,329,444**	**7.32p**	1,084,463	7.25p
Exercisable at 31 December	**3,572**	**7 1/3p**	–	6.43p

134,902 (2021: 50,939) PSP share options were exercised in 2022. The weighted average share price at the date of exercise for share options exercised during 2022 under the Share Option Plans was 317p (2021: 674p).

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 9.66 years (2021: 8.58 years).

30 Share based payments (continued)

Share Option Plans

The Group has set up several Share Option Plans, under which the Remuneration Committee can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 3.5 years. Following the introduction of a new sharesave scheme in 2018, 272 employees (2021: 279) currently participate in these Plans.

Options granted under the Share Option Plans will become exercisable on the third anniversary of the date of grant, subject to specific criteria being met.

Exercise of an option is subject to continued employment.

Details of the share options outstanding under the Share Option Plans during the year are as follows:

	2022		2021	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**660,550**	**505.58p**	827,337	452.25p
Granted	**589,932**	**342.55p**	140,992	698.66p
Exercised	**(3,261)**	**416.92p**	(227,005)	427.43p
Lapsed	**(261,555)**	**548.11p**	(80,774)	515.95p
Forfeited	**–**	**–**	–	
Outstanding at 31 December	**985,666**	**397.02p**	660,550	505.58p
Exercisable at 31 December	**67,301**	**599.61p**	31,766	416.89p

The inputs inserted into the Black Scholes Pricing model for the options granted in 2022 are detailed below.

	Value	
Item	**UK**	**International**
Exercise price	373p	335p
Expected volatility	40.10%	40.10%
Dividend yield	1.52%	1.52%
Risk-free interest rate	3.13%	3.13%
Expected cancellation rate	5%	5%
Share price at grant date	355p	355p

For the calculation of the expected volatility, historical share price volatility was used as a guide over a commensurate period to the expected term of awards.

The weighted average share price at the date of exercise for share options exercised during the year under the Share Option Plans was 509.0p (2021: 629.3p).

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 3.63 years (2021: 2.29 years).

The Group recognised total expenses of £695,000 (2021: £612,000) related to equity-settled share-based payment transactions during the year. After deferred tax, the total charge in the income statement was £617,000 (2021: £617,000). There was a deferred tax charge of £137,000 (2021: credit of £190,000) taken directly to equity.

The Company recognised total expenses of £22,000 (2021: £5,000) related to equity-settled share-based payment transactions during the year. After deferred tax, the total charge in the income statement was £8,000 (2021: £8,000). There was a deferred tax charge of £55,000 (2021: deferred tax credit of £72,000) taken directly to equity.

Notes to the Consolidated Financial Statements

31 Retirement benefit schemes

The Group operates defined contribution retirement benefit plans for qualifying employees in the UK. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The Group also operates defined contribution retirement benefit plans for its overseas employees with contributions up to 6% of basic salary.

The total expense in the income statement of £1,258,000 (2021: £946,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2022, contributions totalling £29,000 (2021: £36,000) due in respect of the 2022 reporting year had not been paid over to the plans and were included within accruals. All amounts were paid over subsequent to the balance sheet date.

32 Related party transactions

Group

The following transactions were carried out with related parties:

During 2022, the Group entered into transactions with a subsidiary of FDM Group (Holdings) plc, a Company for which Peter Whiting (non-executive Director) is currently a non-executive Director. FDM Group (Holdings) plc provided consultancy services to the Group during the year at a cost of £42,000 (2021: £42,000). Peter Whiting stepped down from his role as non-executive Director in April 2022.

The Company acts as the Group's treasury vehicle and during the year owed a net £14,330,000 to its subsidiary companies (2021: £13,083,000).

There were no further related party transactions in the year ended 31 December 2022 (2021: £nil), as defined by International Accounting Standard No 24 "Related Party Disclosures" other than key management compensation as disclosed in note 4.

33 Contingent liabilities

The implementation of the Group's products are frequently part of wider finance transformation programmes involving a number of different suppliers and partners. This environment can result in project scope changes, resulting in timeline extensions and budgetary demands. In this background, two clients have ceased the implementation of the Group's products and provided the Group with correspondence terminating their multi-year agreement alleging contractual breaches by Aptitude and claiming damages. The Group has rejected both the purported termination of the two agreements and claim for damages and has notified the clients of the charges due to Aptitude under the minimum terms of their agreements. The Group has assessed that they do not consider that it will be probable that there will be a cash outflow and therefore no provision has been recognised at 31 December 2022. The Group expects the matter to be resolved in the next year.

Shareholder **Information**

Size of shareholding	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
1 – 1,000	507	56.7%	146,994	0.2%
1,001 – 5,000	194	21.7%	441,070	0.8%
5,001 – 50,000	114	12.7%	1,854,597	3.2%
50,001 – 500,000	55	6.2%	9,788,954	17.1%
500,001 – above	24	2.7%	45,105,996	78.7%
Total	**894**	**100%**	**57,337,611**	**100%**

Investor Type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
Nominee Companies	176	19.7%	47,529,984	82.9%
Bank & Bank Nominees	6	0.7%	4,829,517	8.4%
Private Shareholders	666	74.5%	2,051,998	3.6%
Pension Funds	0	0%	0	0%
Limited Companies	13	1.4%	70,299	0.1%
Other Institutions	9	1%	2,837,545	4.9%
Deceased Shareholders	24	2.7%	18,268	0.1%
Total	**894**	**100%**	**57,337,611**	**100%**

Registered Office and Group Head Office

8th Floor
138 Cheapside
London
EC2V 6BJ

Telephone:(0) 203 3687 3200
e-mail: investors@aptitudesoftware.com

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Telephone: 0871 664 0300
e-mail: shareholderenquiries@linkgroup.co.uk

Aptitude Software Group plc ordinary shares are listed on the main market of the London Stock Exchange.

Shareholders' enquiries

Enquiries regarding shareholdings or dividends should in the first instance be addressed to Link Group.

Please note that calls will cost 12p per minute plus network extras. Lines are open 9.00 am – 5.30 pm Monday to Friday, excluding public holidays.

Annual General Meeting

The forthcoming Annual General Meeting will be held at 9.00 a.m. on Wednesday, 17 May 2023 at 8th Floor, 138 Cheapside, London EC2V 6BJ. Details are given in a separate notice to shareholders enclosed with this Annual Report. A copy of the Notice of Annual General Meeting together with this Annual Report is posted on the Company's website www.aptitudesoftware.com. Shareholders are encouraged to vote by proxy and to submit any questions ahead of the meeting. Details of how to do this are contained in the Notice of Annual General Meeting.

Contact us

London
Cheapside House
138 Cheapside,
London, EC2V 6BJ

Tel: 44 (0)20 3687 3200

Boston
Suite 1310
101 Federal Street
Boston, MA 02110

Tel: +1 (857) 201-3432

Singapore
Centennial Tower, Level 17
3 Temasek Avenue
039190 Singapore

Tel: +65 82282403

Toronto
Suite 700
2 Bloor Street West
Toronto, Ontario M4W 3R1

Tel: +1 (416) 642 6508

Warrington
401 Faraday Street
Birchwood Park,
Warrington, WA3 6GA

Tel: +44 844 873 1418

Wrocław
ul. Muchoborska 6
54-424 Wrocław
Poland

Tel: +48 71 35 83 010

Aptitude

© Aptitude Software Limited 2014 - 2023. All Rights Reserved. APTITUDE, APTITUDE ACCOUNTING HUB, APTITUDE LEASE ACCOUNTING ENGINE, REVSTREAM, APTITUDE REVENUE RECOGNITION ENGINE, FYNAPSE and the triangle device are trademarks of Aptitude Software Limited. Aptitude – U.S. and European Patents Pending and Granted. For more information, please refer to: https:// www.aptitudesoftware.com/patentsandtrademarks

www.aptitudesoftware.com