Aptitude™ SOFTWARE

Creating a world of financial confidence

ANNUAL REPORT 2019

Aptitude Software Group plc

(formerly Microgen plc)

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 Church Topco Limited, trading as Xceptor (a London-based international software business backed by CBPE Capital). He is also a member of various Wulstan Capital LLPs and Parch Three Estates LLP. Ivan served as Non-Executive Chairman of FDM Group (Holdings) plc since October 2006 but retired from that Board on 5 March 2019. He has no other significant commitments.

Jeremy Suddards (appointed on 1 September 2019)

Chief Executive Officer

Jeremy was appointed to the Aptitude Software 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 Software in January 2018 as Chief Client Officer for Europe & APAC. Prior to joining Aptitude Software, 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 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. Philip was Acting Chief Executive Officer of Microgen Financial Systems between 29 October 2018 and the date of its disposal by the Group, 28 June 2019. On 1 July 2019, Philip was appointed to the expanded role of Deputy Chief Executive Officer and Chief Financial Officer to the Group.

Peter Whiting

Senior Independent Non-Executive Director / Chair of Remuneration Committee

Peter Whiting was appointed as a Non-Executive Director on 2 February 2012 and has been Chair of the Remuneration Committee since April 2016. Peter has over twenty years' experience as an investment analyst, specialising in the software and IT services sector. He joined UBS in 2000, led the United Kingdom small and mid-cap research team and was Chief Operating Officer of UBS European Equity Research from 2007 to 2011. Peter is currently Senior Independent Director and Chair of the Remuneration Committee of FDM Group (Holdings) plc, Senior Independent Director and Chair of the Audit Committee of Keystone Law Group plc and a Non-Executive Director and Chair of the Renumeration Committee of D4T4 Solutions plc. Peter was also a Non-Executive Director and Chair of the Remuneration Committee of TruFin plc until 31 July 2019.

Barbara Moorhouse

Non-Executive Director / Chair of Audit Committee

Barbara Moorhouse was appointed as a Non-Executive Director on 1 April 2017. 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 Chair of the Rail Safety and Standards Board and a Non-Executive Director of Balfour Beatty plc and Agility Trains. Barbara also served as a Non-Executive Director of the Lending Standards Board until 28 February 2019, IDOX plc until 29 March 2019, and was a Trustee of Guy's and St Thomas' Charity until 16 October 2019.

Georgina Sharley

Company Secretary

Georgina Sharley was appointed as Company Secretary on 10 December 2018. She is a member of the Institute of Chartered Secretaries and Administrators and has 19 years' experience in supporting United Kingdom listed companies and groups with fulfilling their corporate governance and statutory compliance obligations.

Independent Auditors

Grant Thornton UK LLP
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London
EC2A 1AG

Financial Advisors and Stockbroker

Investec Bank plc
30 Gresham Street
London
EC2V 7QP

Financial Public Relations

Alma PR
71-73 Carter Lane
London
EC4V 5EQ

Registrars

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About Aptitude Software

Aptitude Software's innovative solutions address the growing trend for digital finance transformation complemented by regulatory-focused applications. Our various products take data from complex systems, typically with multiple siloed data sources across multiple business entities, to create a unified view of finance. This allows our clients to reap significant benefits including business insights, enhanced control and regulatory compliance.

Our clients include some of the world's largest companies, typically organisations with complex financial data and technology landscapes. Development, together with a growing number of other services, continues to be performed at the Aptitude Innovation Centre in Poland with sales, support and implementation services provided from Aptitude Software's London headquarters and the North American and Singaporean regional businesses.

Aptitude Software has six office locations around the world, with clients across four continents.

Key Operational and
Financial Highlights

Financial Highlights (continuing operations[1])

Year ended 31 December	2019	2018	% Change
Annual Recurring Revenue[2] at year end	£28.6m	£23.5m[3]	+22%[3]
Revenue	£59.7m	£52.3m	+14%
– Software and subscription revenue	£28.5m	£24.8m	+15%
– Implementation and solution management services revenue	£31.2m	£27.5m	+13%
Adjusted Operating Profit[4]	£10.5m	£8.8m	+20%
Statutory operating profit	£8.9m	£7.7m	+17%
Cash and cash equivalents at year end	£33.0m	£29.2m	+13%
Cash Conversion[5]	135%	97%	+39%
Adjusted Basic Earnings per Share[4]	12.8p	10.2p	+25%
Basic Earnings per Share	11.2p	8.9p	+26%

- A good new business performance in the year, driving 22% growth in Annual Recurring Revenue on a constant currency3 basis
- In line with the Group's strategic focus, software and subscription revenue increased 15% to £28.5 million (2018: £24.8 million), representing 48% of total revenue (2018: 47%)
- Strong balance sheet with cash of £33.0 million (2018: £29.2 million), net funds of £30.8 million (2018: £17.3 million) and cash conversion5 of 135% in the year (2018: 97%) with the Group benefitting from growing recurring software and subscription revenues with clients typically paying annually in advance

Strategic and Operational Highlights:

- Strategic milestone achieved with the disposal of Microgen Financial Systems on 28 June 2019 for aggregate cash consideration of £51.4 million. Associated return of value to shareholders of £46.4 million in September 2019
- The disposal enhances the Group's ability to allocate capital and focus management attention on the higher growth Aptitude Software business
- Multiple sales of the Aptitude Insurance Calculation Engine including to one of the world's leading insurers as well as to one of the largest insurers in the United Kingdom. Successful entry into the Australian insurance market with a leading life insurer secured as a client. Speculation of a twelve-month extension to the effective date of IFRS 17 has delayed a small number of opportunities
- Strong sales of the strategic Aptitude Accounting Hub, the application which provides our clients with the foundation for their digital finance transformation, across both the European and North American markets
- Largest Software-as-a-Service ('SaaS') subscription sale to date for Aptitude Revenue Management with a significant sale also completed to a North American technology company at the start of 2020
- Investment increased across a number of functions, a trend expected to continue through 2020 as the business scales and specialises to fully realise the growing opportunity for our SaaS solutions and the Aptitude Accounting Hub

Throughout this announcement:

1 Continuing operations excludes the results of the Microgen Financial Systems business which was disposed of on 28 June 2019 and presented as a discontinued operation

2 Annual Recurring Revenue ('ARR') is the value of Aptitude Software's software and subscription 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 are currently being received but are known to be terminating in the future.

3 Constant currency is calculated by comparing the 2019 results with 2018 results retranslated at the rates of exchange prevailing during 2019. Items within the Financial Highlights table indicated by this superscript reference are calculated on a constant currency basis.

4 Adjusted Operating Profit, Adjusted Operating Margin and Adjusted Basic Earnings per Share excludes 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 of the notes to the Financial Statements.

5 Cash conversion is measured by cash generated from operations as a percentage of operating profit adjusted for the non-underlying items with no cash effect

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 Software made significant progress in the year, delivering a good new business performance whilst completing the Group's transition into a business that is now solely focused on the specialised provision of powerful financial management software to large global enterprises.

New business secured in the year included multiple sales of the Aptitude Insurance Calculation Engine ('AICE'), Aptitude Revenue Management ('ARM') and the Aptitude Accounting Hub ('AAH'). These successes have led to Aptitude Software's Annual Recurring Revenue increasing to £28.6 million representing year on year growth of 22% on a constant currency basis.

Successes with AICE, Aptitude Software's application enabling insurers to comply with the complex accounting requirements of IFRS 17, were achieved on a world-wide basis and included new business contracts with one of the leading global insurers as well as with one of the largest insurers in the United Kingdom. The opportunity with this application remains a focus for the Group into 2020.

In addition to Aptitude Software's credentials in helping organisations comply with complex regulations, there is a material opportunity with the Group's AAH product on a standalone basis as businesses seek to undertake a transformation of their finance function, frequently referred to as a digital finance transformation. The scale of the opportunity was demonstrated during 2019 with several sales achieved across both the European and North American markets. One of these successes includes a global insurance company which has leveraged AAH to centralise and automate its global reporting processes leading to increased operational intelligence combined with an improvement in its overall business risk environment.

The disposal of Microgen Financial Systems on 28 June 2019 for aggregate cash consideration of £51.4 million was a major milestone in Aptitude Software's long-term strategy and represented the start of a new era which saw the Aptitude Software business become the sole focus of the Group. Following the disposal, the business completed a return of value totalling £46.4 million to shareholders in September 2019.

Board changes

Jeremy Suddards was appointed Chief Executive Officer on 17 January 2020 following a successful six-month transition from his predecessor, Tom Crawford, who retired from the Board on the same day. Jeremy originally joined Aptitude Software in 2018 having previously held senior roles within Hewlett Packard. The Board once again wishes to thank Tom for his exceptional contribution to the Group in recent years and looks forward to his ongoing support as he continues to work with the Group on a part-time basis.

Dividend

Following the disposal of Microgen Financial Systems, and its accompanying profits, the Board reviewed Aptitude Software's dividend policy and determined to maintain dividend cover for 2019. As a result, a final dividend of 3.60 pence per share is proposed (2018: 4.40 pence), making a total ordinary dividend of 5.40 pence per share for the year (2018: 6.60 pence). Subject to shareholder approval at the Group's Annual General Meeting in April 2020, the proposed final dividend will be paid on 29 May 2020 to shareholders on the register at 11 May 2020.

Outlook

Aptitude Software has made good progress in 2019, both strategically and operationally. The Group benefits from a growing portfolio of product and service offerings, an expanding SaaS capability, increasing worldwide presence and a well-established global partner network. With these strengths, and the positive start achieved in the opening months of 2020 with a further significant sale of Aptitude Revenue Management, absent any material adverse impact of Covid-19, the Board looks forward to further progress in 2020.

Ivan Martin
Chairman

10 March 2020

Chief Executive Officer's **Report**

Introduction

Aptitude Software is a specialist provider of powerful financial management software to large global businesses.

Our applications provide data and business insight to our global client base enabling them to achieve significant benefits such as greater business insights, enhanced financial control, deeper operational intelligence and regulatory compliance. Our markets are underpinned by strong fundamentals as technological advancement both drives and facilitates an increasingly automated approach to finance operations, augmented by the additional driver of regulatory requirements. Our clients include some of the world's largest companies, typically organisations with complex financial data and technology landscapes. 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 several clients in a series of other industries.

The business generates revenue from its software through a combination of licence fees (primarily annual recurring licences), software maintenance/support, software subscriptions for its cloud-based offerings and implementation and other support services including solution management services. Development, together with a growing number of other services, continues to be performed at the Aptitude Innovation Centre in Poland with sales, support and implementation services provided from Aptitude Software's London headquarters and the North American and Singaporean regional businesses.

Corporate Strategy

The Group executed on a number of strategic activities during the year, most notably the disposal of Microgen Financial Systems. This allows Aptitude Software to focus on its strategy of becoming one of the world's leading vendors of powerful financial management software to large global enterprises.

Aptitude Software has a growing portfolio of product and service offerings, an increasing SaaS capability, a worldwide presence and well-established partner network. These strengths, together with this new focus, position the Group to fully realise the significant opportunity ahead, as enterprises seek to embark upon their digital finance transformation.

Continued progress was made in 2019 against the Group's strategy of growing its software and subscription revenues which increased by 15% during the year to £28.5 million (2018: £24.8 million), representing 48% of overall revenue (2018: 47%). The growth in the proportion of such revenues in the business will, in due course, lead to an increase in operating margins given the higher margins achievable from these recurring revenues.

Whilst the Group's focus is currently the organic growth of its software and subscription revenues, the Board has commenced the analysis of potential acquisition opportunities which would deliver additional value for shareholders and which meet our strict criteria of comprising complementary technologies focused on Aptitude Software's product suite. As at 31 December 2019, the Group had cash of £33.0 million and net funds of £30.8 million.

Markets and Partners

Market Drivers: Digital Finance and Smart Compliance

Finance functions of large global organisations are increasingly being challenged both by growing regulatory pressures and by the demands of finance in a digital world.

The digital era, the accompanying increase in the volume of data and the need for near real time decisioning provides finance functions with an opportunity, and the accompanying challenge, to deliver enhanced financial control leading to improved operational intelligence and strategic foresight. The Aptitude Accounting Hub ('AAH') with its ability to handle data at a highly granular level is increasingly being considered a strategic foundation for finance organisations as they undertake the necessary transformation which allows them to meet these new challenges.

Aptitude Software is also benefitting from growing regulatory pressures in our markets. New accounting standards are often focused on 'contract-level' accounting requiring new technology solutions that allow organisations to achieve a smarter approach to compliance. Following success with IFRS 15, IFRS 16 and their equivalent standards in the USA, Aptitude Software's current regulatory focus is IFRS 17, a requirement addressed by the Aptitude Insurance Calculation Engine. Changes to the accounting standards for insurers in the USA, Long Duration Targeted Improvements ('LDTI'), are also becoming an increasing opportunity for the Group's North American team.

Go-to-Market

Aptitude Software has built strong sales teams in each of APAC, Europe and North America which leverage our growing partner network to source and influence prospects. These teams are supported by an increasingly powerful marketing function, a team that has received significant investment in 2019.

As the number of both our clients and products increases there is a growing opportunity for add-on sales to existing users. These sales may consist of either increasing the footprint of products already in use by clients or the cross-sell of other Aptitude Software products to an existing user. There are strategic account management teams in each of our regions with a number of successes achieved in 2019 including the entry into an enterprise licence agreement with an existing client (one of the United Kingdom's leading clearing banks). This client's use of AAH in a growing number of its operations led to incremental licencing requirements and further demonstrates the material value the Group's applications can bring to organisations looking to undertake finance transformation.

Partners

The role Aptitude Software's partners perform in the Group's go-to-market strategy is significant. Whilst many prospects are sourced directly by the Group's own sales and marketing teams, the global reach of partners and the depth of their relationships with large global businesses provide Aptitude Software with an increasing number of opportunities and market intelligence. This global reach was realised during the year through the successful entry into the Australian insurance market with a leading life insurer secured as a client.

Aptitude Software now has agreements with each of the Big 4 accounting firms following the entry into an alliance with PwC in 2019. Dedicated partner management teams in North America, Europe and now APAC co-ordinate the activities of these partners who, in addition to sourcing and influencing prospects, provide certified consulting capability to assist clients with the implementation of Aptitude Software's applications.

Global Presence

Aptitude Software's opportunity is worldwide with an established presence in APAC, Europe and its largest market, North America, which represents 54% of Annual Recurring Revenue ('ARR'). This global reach is supported by the Group's principal offices in London, Boston, Singapore and Poland with other capabilities being provided in Canada and California. Establishment of this local presence complemented with a focused, regionally led management team structure, has seen our clients' global footprint now span across sixteen countries worldwide.

Aptitude Software has traditionally focused on markets in which our specialised sale can be completed in English. In conjunction with partners the Group is now analysing the entry into markets in which it currently has no presence where the partners' local market knowledge, language skills and existing client relationships will be key to success.

Whilst activities in APAC, North America and non-EU European states are unlikely to be impacted by the United Kingdom's withdrawal from the European Union, Aptitude Software performs its development at the Aptitude Innovation Centre in Poland and has a number of on-going implementation projects within European Union states (2019 revenue from European Union states excluding the United Kingdom was £9.4 million). The business is continuing to monitor the still-developing situation, however, whilst there may be some short-term disruption, the Group does not believe that there will be a long-term material impact. Aptitude Software has considerable experience in deploying its highly skilled consultants across the world, and benefits from the flexibility provided by its partner network. The Group also has the option of expanding the consulting capability of the Aptitude Innovation Centre, which is located within the European Union.

The Group is also closely monitoring the impact of COVID-19 (Coronavirus) and is reviewing and updating its business continuity plans accordingly. The potential impact of COVID-19 is difficult to assess at this time however, the Group's client base and sales opportunities are worldwide requiring frequent international travel which could be constrained if the situation deteriorates. Any travel restrictions may slow down the agreement of new revenue opportunities and growth in the Group's ARR. Furthermore, Aptitude Software has a number of on-going implementations requiring our consultants' attendance at client sites around the world, including Hong Kong and South Korea amongst the initially most affected countries. Remote working is frequently possible, however, any inability of consultants to attend client sites may both reduce revenue and potentially delay the implementation of our solutions. Whilst the majority of Aptitude Software office-centred employees have the ability to work from home in the event of a worsening of the situation in our main centres of London, Boston, Poland and Singapore, such a method of working is anticipated to impact a proportion of our employees' productivity.

Chief Executive Officer's **Report**

Key Product Overview

Aptitude Accounting Hub

In 2019 the Aptitude Accounting Hub ('AAH') secured new licences with a number of organisations as they seek to transform their finance functions. In total, the agreements entered during 2019 contributed significantly to the growth in Annual Recurring Revenue ('ARR') in the year.

The opportunity for AAH is significant and continuing across all of our key industries. AAH allows finance functions to take a leading role in driving the commercial performance of their business and provides the foundation for digital finance transformation. The application centralises and automates finance, accounting and reporting processes, creating a deep level of operational intelligence for our clients. It also delivers a consolidated, yet highly granular, single view of financial data which enhances business insights to assist decision making. AAH can be used on a standalone basis or in conjunction with other Aptitude Software applications. Clients can and do choose to implement AAH either before, at the same time, or after the implementation of a regulatory-focused application such as the Aptitude Insurance Calculation Engine. To fully realise the opportunity for AAH, investment is accelerating in the product with several areas of enhanced functionality and capability identified for future development. This investment includes additional capacity to be brought into the research and development team at the Aptitude Innovation Centre.

Aptitude Insurance Calculation Engine

A current focus of the Group is the opportunity provided by the Aptitude Insurance Calculation Engine ('AICE') in advance of the effective date of IFRS 17. AICE is Aptitude Software's latest regulatory focused application allowing an insurer to perform the calculations required to be compliant with IFRS 17. In conjunction with AAH, AICE allows an insurer to make strategic, transformational investment providing value beyond compliance, enabling data-insights and decision support delivering long-term business benefits.

Global highlights for this application include new business contracts with one of the largest insurers in the United Kingdom as well as with one of the world's leading insurers. Both sales licensed the Group's AICE and AAH solutions concurrently, leveraging the applications' multi-GAAP, multi-currency, multi-valuation architecture complemented by the ability to process high volumes of data at the most granular levels.

Recent speculation that the effective date for IFRS 17 will be extended by twelve months (currently effective for periods commencing on 1 January 2022) caused delays with a small number of sales opportunities in the second half of 2019. These delays have had a minimal impact on revenue recognised for 2019 but have suppressed ARR as at 31 December 2019 from what would otherwise have been achieved.

Aptitude Revenue Management

Aptitude Revenue Management ('ARM') enables finance teams to automate and simplify the whole revenue lifecycle, from contract order to revenue recognition, reporting and forecasting. The applications 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. 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.

The Group's two revenue management applications, collectively Aptitude Revenue Management, have continued to make good progress in 2019 with a further significant sale completed in the opening months of 2020. The key highlight in 2019 was the largest Software-as-a-Service ('SaaS') subscription to date for ARM to a large North American technology business. As a result of ARM's focus on technology and telecommunications businesses Aptitude Software has experienced higher churn for this product set than encountered by the Group's other products which are focussed towards the more mature banking and insurance sectors. In 2019 ARR growth was moderated by the loss of two clients: one resulting from a merger between two existing clients, and another as a result of it filing for protection under Chapter 11 in the USA.

Our Services

Implementation Services

Aptitude Software provides implementation services to its new clients, with the scale of such services depending on the nature of the application, the size of the opportunity and the division of responsibilities between Aptitude Software and its partners. It is not a strategic priority of the Group to grow its implementation services revenues, with the business instead focused on making sure that its software is implemented efficiently, with minimal risk, short time-to-benefit and at a competitive total cost of ownership. Investment continues to be made in its products to facilitate lighter more repeatable implementations and the Group continues to invest in the enablement of its partner network to facilitate their ability to implement Aptitude Software's product suite reliably and efficiently.

Solution Management Services

Whilst the majority of overall services revenue is associated with the implementation of Aptitude Software's applications, there is a growing percentage of revenues derived from solution management services. This service is expected to further enhance the operation and longevity of applications within major clients and extends the responsibilities of Aptitude Software beyond traditional software maintenance services to include services typically performed by the clients' own IT teams, including for example, the monitoring of system performance, user administration, release management and functional enhancements. In turn, clients benefit from the reduced requirement to establish internal technical teams focused on our applications, providing clients with efficiencies and allowing them to focus on their core activities. The long term and recurring nature of solution management services is expected to provide greater certainty and visibility to the Group's services revenues and continues to be a focus of investment in the business.

Software-as-a-Service

The number of clients subscribed to our Software-as-a-Service ('SaaS') products continues to grow and scaling this service further is a key growth driver for the business.

Whilst the Group's complete product suite is cloud deployable, only a subset of the suite is currently provided as SaaS with users of Aptitude Software's other applications currently preferring to consume our technology on-premise, or in their private cloud, given the nature of these products. Work is being performed at the Aptitude Innovation Centre to ensure all key applications are capable of SaaS delivery in advance of any potential change in clients' buying preference. The continuing movement to SaaS is not a material change in business model for Aptitude Software with the revenue characteristics of SaaS no different from the Group's annual licence fee model which has been in place for many years.

People and Organisation

Our People

Aptitude Software's continued progress has been achieved through the exceptional quality of its people. The team is very talented, committed, works incredibly hard and is achieving great success. Retention remains absolutely key to the business and investment continues in career management, learning and development as we continue to grow the capabilities of the team. The Group continues to strengthen its specialist financial proficiency with accountants now making up over 20% of the global team.

The business implemented several important organisational changes during the year, most notably the adoption of a regionally led management approach for both go to market and implementation services. The structure is a recognition of the Group's ever-increasing global footprint, strengthening the focus of the business on the strategic development of clients, prospects and the portfolio of solutions we deliver to them.

The Board continues to be very grateful to the Aptitude Software team for its outstanding contribution to the business.

Aptitude Innovation Centre

The Aptitude Innovation Centre, our long-established integrated centre of excellence in Poland, at which a growing number of activities are performed, continues to be a material differentiator for the Group. Modern development methodologies are followed with multi-discipline, highly skilled teams focused on specific applications. Benefitting from this approach, together with a culture of proactive problem solving and collaboration, the teams rapidly and frequently release new functionality, a key requirement given the continuing and evolving requirements of Aptitude Software's client base.

Chief Executive Officer's **Report**

Following the transfer in 2019 of development activities from California to Poland for the Aptitude RevStream product, one of the Group's two Aptitude Revenue Management applications, the Aptitude Innovation Centre now encompasses the development of the Group's entire product suite whilst also becoming an increasing focal point for the Group's cloud operations and support activities. This single integrated centre improves the collaboration between our teams as they provide software or associated services to our clients.

Future investment

As announced on 20 January 2020, following both the re-organisation of the Group and the change in leadership in 2019, opportunities in the market, client base and the business have been identified for additional investment to support our long-term growth strategy.

To fully realise the digital finance transformation opportunity in the market, development is being increased in both functionality and technology in the Aptitude Accounting Hub.

One of the other key areas of investment will be in the enablement and training of our clients and partners as well as our own people; an initiative which will accelerate the use of our products within the existing base, ensure highly successful implementations and, as a result, encourage wider adoption within the market. This investment will be in both people and technology and will also underpin our partner programme where such enablement is a differentiating capability.

Several operational areas of the business will also be strengthened in 2020, allowing the Group to further enhance the services it provides to its clients. These include support, solution management services and its SaaS offering with accompanying cloud capability. The number of clients subscribed to our SaaS or cloud-based offerings continues to grow, and scaling this service further is a key growth driver for the business. Investment will also continue in the professional services organisations responsible for the implementation of the Group's applications in conjunction with our clients and partners.

AptConnect 2019

The business hosted the first ever AptConnect during 2019, an event bringing together our clients, partners and prospects. The conference, held in Boston and attended by over 80 North American delegates, covered a range of topics from the future of technology for the finance department through to demonstrations of the latest developments in our product portfolio. The agenda included speakers from our existing client base detailing their own successful implementation journey of the Aptitude Software product suite along with keynotes from our partners covering the importance of the digital finance journey clients must undertake.

2020 Progress to Date and Outlook

The Group has started 2020 positively with a significant subscription sale of Aptitude Revenue Management to a North American technology enterprise. Further material opportunities are being progressed in all regions for our key applications and the Group looks forward to the new era as a business now solely focused on the specialised provision of powerful financial management software to large global businesses.

Jeremy Suddards
Chief Executive Officer

10 March 2020

Microgen Financial Systems Disposal
('MFS Disposal')

MFS Disposal: Overview of transaction

The disposal of Microgen Financial Systems was completed on 28 June 2019 to Moscow Bidco Limited, a newly incorporated private limited company controlled by funds advised by Silverfleet Capital Partners LLP. The aggregate cash consideration for the disposal was £51.4 million with the net cash proceeds arising from the disposal of £48.4 million (£51.4 million cash consideration less fees of £3.0 million incurred in respect of the disposal and demerger process (which was run in parallel with the disposal to fulfil Aptitude Software's commitment to the demerger) with other separation costs of approximately £0.4 million. Cash within the Microgen Financial Systems business at the point of disposal was £4.3 million.

Included within the profit from discontinued operations of £22.4 million (2018: £8.4 million) is the gain on the disposal of Microgen Financial Systems of £20.3 million, calculated after the transaction fees of £3.0 million and £0.4 million of other separation costs.

The disposal is a major milestone in the Group's long-term strategy and represents the start of a new era which sees the Aptitude Software business become the sole focus of the Group.

MFS Disposal: Performance in period

The financial results of Microgen Financial Systems for the period to disposal are included within the profit from discontinued operations of £22.4 million (2018: £8.4 million).

Microgen Financial Systems' revenue in the period from 1 January 2019 to 28 June 2019 was £8.1 million (year ending 31 December 2018: £18.0 million) with Adjusted Operating Profit of £3.2 million (year ending 31 December 2018: £7.0 million). Microgen Financial Systems' statutory operating profit for the period from 1 January 2019 to 28 June 2019, excluding the transaction fees and other de-merger costs of the disposal, was £2.7 million (year ending 31 December 2018: £9.1 million). Microgen Financial Systems' financial performance for 2018 included revenue and statutory operating profit from its Payments business, disposed in July 2018, of £0.8 million and £0.4 million respectively.

MFS Disposal: Return of proceeds to shareholders and share consolidation

Aptitude Software completed the return of £46.4 million to shareholders by way of a 'B' share scheme on 26 September 2019, representing 73 pence for every share held in the Company as at the close of trading on 19 September 2019. As part of the transaction, an associated 7 for 8 share consolidation took place on 30 September 2019 in order to maintain comparability, so far as possible, between the market price per ordinary share before and after the issue of the B shares and the return of value.

Philip Wood
Deputy Chief Executive Officer and Chief Financial Officer

10 March 2020

Group Financial Performance and **Chief Financial Officer's Report**

Revenue

Aptitude Software's overall revenue for the year ended 31 December 2019 has increased by 14% to £59.7 million (2018: £52.3 million).

Software and Subscription Revenues

Aptitude Software's Annual Recurring Revenue ('ARR') at 31 December 2019 totalled £28.6 million (31 December 2018: £23.5 million, restated for the prevailing exchange rates at 31 December 2019), representing year on year growth of 22% on a constant currency basis which is attributable to new business successes across several of the Group's product suite, most notably the Aptitude Insurance Calculation Engine and the Aptitude Accounting Hub.

ARR is the key metric for the Group. Included within ARR are Aptitude Software's annual licence fees or maintenance for its on-premise clients and subscription fees for the Group's SaaS clients.

Software and subscription revenues recognised in 2019 increased by 15% to £28.5 million (2018: £24.8 million). Software and subscription revenues now represent 48% of overall revenue (2018: 47%). It is a key part of the Group's strategy to increase this percentage whilst maximising the growth rate of Aptitude Software's ARR, a strategy which in due course will lead to growth in operating margin percentage given the higher margins achievable from software and subscriptions revenues.

Implementation and Solution Management Services

Implementation and solution management services revenue increased by 13% to £31.2 million (2018: £27.5 million), above the Board's expectations, as a result of the profile and weighting of new business projects won towards the first half of the year.

Operating Profit and Margins

Adjusted Operating Profit for the period increased by 20% to £10.5 million (2018: £8.7 million on a constant currency basis and £8.8 million as reported). Operating profit on a statutory basis was £8.9 million (2018: £7.7 million). Adjusted Operating Margin in 2019 was marginally above the prior year at 18% (2018: 17%), despite accelerated levels of investment in a number of areas following the re-organisation of the Group and the change in leadership during the year. The Group continues to monitor the balance between investment in the opportunity facing the business and the growth in Aptitude Software's operating margins.

Foreign Exchange

With 48% of the Group's revenues invoiced in US Dollars to North American clients (2018: 54%), the Group is impacted by changes in the US dollar exchange rate. Aptitude Software's 2018 revenue and Adjusted Operating Profit would have been reported at £53.0 million and £8.7 million respectively on a constant currency basis (compared to actual result of £52.3 million and £8.8 million). Constant currency is calculated by comparing the 2019 results with 2018 results retranslated at the rates of exchange prevailing during 2019.

Research and Development Expenditure

Total expenditure on product management, research, development and support in the year increased to £9.3 million (2018: £8.2 million) of which £6.4 million is incurred at the Aptitude Innovation Centre. The Board has continued to determine that none of the internal research and development costs incurred during the year meet the criteria for capitalisation. Consequently, these have been expensed as incurred through the income statement.

Non-Underlying Items

Non-underlying items of £1.6 million (2018: £1.1 million) principally comprise intangible amortisation (£0.9 million) combined with the establishment of a £0.7 million provision in relation to the Group's overseas taxation.

Taxation

The total tax charge of £2.0 million (2018: £1.8 million) represents 23.2% of the Group's profit before tax (2018: 25.4%), with the increase against the United Kingdom corporate tax rate of 19% due to the proportion of profits generated in overseas territories which have higher prevailing tax rates, principally the USA.

Statutory Results

The Group reported a profit for the period attributable to equity shareholders of £29.2 million (2018: £13.8 million). Profit for the period from continuing operations, which excludes the performance of the Microgen Financial Systems business disposed of on the 28 June 2019, totalled £6.7 million (2018: £5.4 million).

Earnings per Share

As a result of the Group's growth in profit attributable to equity shareholders, Adjusted Basic Earnings per Share and Basic Earnings per Share from continuing operations increased to 12.8 pence and 11.2 pence respectively (2018: 10.2 pence and 8.9 pence), growth of 25% and 26% respectively.

Dividend

With the disposal of Microgen Financial Systems and its accompanying profits the Board reviewed Aptitude Software's dividend for 2019 and determined to maintain dividend cover. As a result, a final ordinary dividend of 3.60 pence per share is proposed (2018: 4.40 pence), making a total ordinary dividend of 5.40 pence per share for the year (2018: 6.60 pence).

Balance Sheet

The Group continues to have a strong balance sheet with net assets at 31 December 2019 of £46.4 million (2018: £64.8 million), including cash of £33.0 million (2018: £29.2 million), and net funds of £30.8 million (2018: £17.3 million). Trade receivables (net) have reduced to £7.2 million (2018: £11.0 million of which £8.8 million was in respect of continuing operations), a decrease of £1.6 million on a like for like basis due to the timing of receipt of annual licence fee and subscription invoices issued in the final months of the year. The growth in the Group's recurring revenues resulted in deferred income increasing on a like for like basis to £22.8 million at 31 December 2019 (2018: £28.3 million of which £19.2 million was in respect of continuing operations). The Group's cash collection disciplines remain strong with like for like DSO (debtor days) at 31 December 2019 of 60 consistent with prior periods.

Cash Generation

Cash generated from both continuing and discontinued operations improved to £18.4 million (2018: £15.0 million), of which £15.3 million is in relation to the continuing business (2018: £8.3 million), representing cash conversion of 135% (measured by cash generated from operations as a percentage of operating profit adjusted for the non-underlying items with no cash effect).

Philip Wood
Deputy Chief Executive Officer and Chief Financial Officer

10 March 2020

Report of the **Directors**

The Directors of Aptitude Software Group plc (the "Company", formerly Microgen plc) present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Results and Dividends

The results for the year are set out in the financial statements and notes that appear on pages 71 to 129. 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 (2018 total: 6.6 pence). Subject to shareholder approval, the proposed final dividend will be paid on 29 May 2020 to shareholders on the register at close of business on 11 May 2020.

The ordinary dividends paid in 2019 totalled £3.9 million (2018: £3.9 million). As communicated in the shareholder circular dated 5 June 2019, the Group reset its 2019 dividend to maintain dividend cover following the disposal of the Microgen Financial Systems business. Going forwards a progressive dividend policy will be adopted.

A one-off payment of 73 pence per share, a total of £46.4 million, was also made in October 2019 in connection with a return of value to shareholders following the disposal of the Microgen Financial Systems business on 28 June 2019. Further details can be found on page 120.

Principal Activities

Until 28 June 2019, the Company was the corporate parent of two information technology businesses, operated as independent business units, Microgen Financial Systems and Aptitude 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 report on page 4.

The Company changed its name from Microgen plc to Aptitude Software Group plc on 1 April 2019 and on 28 June 2019 disposed of its Microgen Financial Systems business.

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.

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to several risks. As detailed on page 26 risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate such risks where feasible. The principal business risks for the Group, as structured on 10 March 2020, are set out in the table on pages 14 and 15.

United Kingdom departure from the European Union

On 31 January 2020 the United Kingdom left the European Union ("EU"). There is now a transitional period until the end of 2020 while the United Kingdom and EU negotiate additional arrangements. The current rules on trade, travel, and business for the United Kingdom and EU continue to apply during the transitional period. New rules will take effect on 1 January 2021.

The longer-term economic consequences arising from the United Kingdom's vote to leave the EU still remain uncertain and will remain so until the end of the transitional period and the implementation of the new rules. The Board will closely monitor these developments over the coming months and assess the impact that the new rules will have upon the Group.

The Group is engaged in a number of projects to implement its products with clients based in EU countries, and the Group's consultants and other staff are currently able to travel freely to those countries to participate in those projects without the need to obtain visas or work permits. In addition, the Group's Aptitude Innovation Centre, where product development and a number of other activities are undertaken, is located in Poland, and personnel therefore regularly travel between Poland and the United Kingdom.

During the transitional period, there will be no change to freedom of movement of people or to existing immigration rules. Country by country guidance is expected to be issued in the coming months. The new rules, once implemented, may result in increased restriction on movement of the Group's employees between the United Kingdom, Poland and other EU countries and could lead to additional administrative costs, and other regulatory changes could adversely impact the administration of the Group's operation in Poland. For information, Group revenue from EU countries (excluding the United Kingdom) in 2019 was £9.4 million.

Regulatory changes and macro-economic risks are outside the Group's control, but the Board will continue to monitor the position and believes that the Group is well-placed to identify and react quickly to changes in the operating conditions.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's 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 IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit 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.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

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 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.
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 are reported to senior managers and, if appropriate, the Board.
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.
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 Software. 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 highly performing development centre. Market trends are carefully monitored to ensure any threats to the Group's competitive position are identified at the earliest opportunity.

Principal Risks and Uncertainties	Explanation	Mitigating Action
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 in revenue and profit.	Development activities including software quality are reviewed in regular meetings with senior managers. 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 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 adverse material 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 six 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.
The Group's activities may result in the loss or disclosure of client data.	The Group is implementing its products and services at 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.
The risk that COVID-19 (Coronaviris) impacts new business activities, the implementation of our software and our support provision.	The Group's client base and sales opportunities are worldwide, requiring frequent international travel which could be constrained if the situation deteriorates. Any travel restrictions may slow down the agreement of new revenue opportunities and growth in the Group's Annual Recurring Revenue. Furthermore, the Group has a number of on-going implementations requiring our consultants' attendance at client sites around the world, including Hong Kong and South Korea amongst the initially most affected countries. There is a risk that implementation revenues are impacted and project milestones delayed.	Remote working will be utilised wherever possible. The Group is closely monitoring the potential impact of the virus and is reviewing and updating its business continuity plans accordingly. The majority of our client contracts include force majeure clauses which should provide the Group with protection if there is any contractual non-performance due to the impact of COVID-19.

Report of the **Directors**

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. The Board determined that it would be reasonable to perform a review of the Group's cash flows and other key financial indicators for a period of three years and considered this appropriate given the period aligns the Group's viability statement with our planning time horizon in respect of our 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, particularly as the business continues to grow its software and subscription revenues. Projections beyond this period become less reliable given the inherent uncertainty of technology and market developments although the Directors have no reason to believe the Company 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 are required to consider those principal risks 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. These 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 licenses and subscriptions and the performance of other core revenue streams. As part of the assessment the Group stress tests the plan using various severe but plausible scenarios. To achieve this, management reviewed the principal risks and considered which might threaten the Group's viability. It was determined that none of the individual risks would in isolation compromise the Group's viability, and so several different severe scenarios were considered where principal risks arose in combination. The scenarios considered to be the most plausible and significant in performing the assessment of viability and the combination of principal risks involved are detailed below:

Principal Risks

- The risk that the business 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.

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 six acquisitions since 2014, with any opportunities required to meet the Group's strict criteria of comprising complementary technologies focused on Aptitude Software's product suite. Furthermore appropriate due diligence would be 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 without any debt financing 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.

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

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 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 that would be required to exhaust all available cash. Based on this testing it was determined that the current level of future contracted revenue over the period would be sufficient in providing the Group with a positive cash balance thoughout.

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 and Section 172 Statement

The Board has been proactive in strengthening its existing good governance framework to meet the requirements of the 2018 UK Corporate Governance Code (the "Code"). This process began during 2018, as mentioned on page 25 of the Annual Report and Accounts for the year ended 31 December 2018. The additional measures put in place by the Board include:

- enhanced workforce engagement measures as described on pages 17 to 18;
- voluntary annual re-election by all Directors;
- full review of existing Terms of Reference and Matters Reserved for the Board, to ensure these reflect the new Code;
- greater detail provided on the internal annual Board evaluation process, as set out of page 28, as well as consideration being given to the use of an external evaluator in the future;
- proposed updates to the current Directors' Remuneration Policy (subject to shareholder approval at the 2020 Annual General Meeting) to reflect the new Code's recommendations in relation to remuneration of Executive Directors.

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 26 to 34.

The Directors are aware of their statutory duty to promote the success of the Company, as set out in Section 172 of the Companies Act 2006. 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 upon on shareholders, employees, customers and wider stakeholders. Practical steps that the Board has undertaken to ensure that this happens include:

- regular engagement with customers and strategic partners, to inform product development activities and further improve service delivery and customer satisfaction levels;
- regular engagement with the wider workforce (as mentioned above and described on pages 17 to 18);
- ongoing awareness of the Group's wider Corporate Social Responsibilities, as described on page 18;
- ensuring that Directors are provided with timely, high quality Board materials in advance of Board meetings to support the decision-making process; and
- the annual evaluation process includes a review of the structure, composition and decision-making processes of the Board and its Committees, to ensure that these continue to operate to a high standard.

This statement, when read in conjunction with our Strategic Report on pages 2 to 11, forms the Group's Section 172 statement.

Employment Policies and Gender Diversity

The Group is committed to offering equal employment opportunities and its policies are designed to attract, retain and motivate the best staff regardless of gender, race, colour, religion, ethnic or national origin, age, marital status, disability, sexual orientation or any other conditions not relevant to the performance of the job, who can demonstrate that they have the necessary skills and abilities. The Group gives proper consideration to applications for employment when these are received from disabled persons and will employ them in posts whenever suitable vacancies arise. Staff who become disabled will be retained whenever possible through retraining, use of appropriate technology and making available suitable alternative employment.

Report of the **Directors**

The following table reports on the gender diversity of the Group's employees at 31 December 2019:

	Board Diversity		Top Leadership Diversity		Total Workforce Diversity	
	2019	2018[1]	**2019**	2018[1]	**2019**	2018[1]
Men[2]	**5**	4	**6[2]**	8	**241**	226
Women	**1**	1	**3**	2	**89**	80
Total employees	**6**	5	**9**	10	**330**	306
Men %	**83%**	80%	**67%**	80%	**73%**	74%
Women %	**17%**	20%	**33%**	20%	**27%**	26%

1 In order to provide a meaningful comparison with 31 December 2019, the 31 December 2018 figures exclude any employees of the Microgen Financial Systems business, which was disposed of on 28 June 2019.
2 Amounts include Tom Crawford who resigned from the Board on 17 January 2020.

The Group encourages the participation of all employees in the operation and development of the business and has a policy of regular communications including overviews of the Group's financial performance. The Group from time to time provides employees with information on matters of concern to them, consulting with them or their representatives regularly, so that their views can be taken into account when decisions are made that are likely to affect their interests. The Group incentivises employees and senior management through the payment of bonuses linked to performance objectives, together with the other components of remuneration detailed in the Directors' Remuneration Report. Following the resignation of Tom Crawford on 17 January 2020, the Board now comprises four male Directors (80%) and one female Director (20%), and the Group's top leadership consists of five men (62%) and three women (38%). The Group continues to take steps to further improve gender diversity among its employee base, including enhanced flexibility of workplace location and working hours, educating and supporting hiring managers with recruitment activities, driving cultural change within the organisation and the ongoing review of internal policies and communications, including the corporate website. 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.

The Group operates a Save As You Earn Scheme and an International Share Save Scheme for a significant majority of employees across the Group. These schemes encourage the involvement of employees in the Group's performance, and (together with the regular communications referred to above) 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. The first maturities of these schemes took place on 1 November 2019 and we were delighted to see many employees sharing in the significant growth of the Company's share price over the three-year option period.

Corporate Social Responsibility

The Directors recognise that the success of the business is dependent on maintaining a positive corporate culture at all levels of the organisation, and regularly consider the Group's impact on its stakeholders including employees, contractors, clients, suppliers, investors and 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 creating a sustainable environment and community in which it operates as a business.

During 2019, the Group and its employees held a variety of activities and events to increase awareness and raise funds for its chosen charities both in the United Kingdom and internationally. 'Mind' was our chosen charity in the United Kingdom throughout 2019 (and continues to be in 2020), while our regional offices supported various local charities including Cancer Foundation for Children, Kitchen for the Poor and the Wroclaw Hospice Foundation in Poland and 'Jimmy Fund' in North America. The Group also participated in the JP Morgan Corporate Challenge in London and Boston, which in turn raises funds for charitable organisations and good causes. The Group's charitable activities are organised by its regional social committees and employees are actively encouraged to partake in them at a regional level.

In recent years the Group has worked on a charitable initiative known as "Operation Kanchenjunga", which has built a school in the remote Himalayan village of Hangdewa, Nepal. The Group has provided computers, networking equipment, servers and satellite internet connectivity to the project which aims to bring life-changing technology and IT skills to the 175 children who attend the school. During 2019 the Group continued to support this project through the donation of computer supplies.

Engagement with the wider workforce

The Board has designated Peter Whiting and Barbara Moorhouse as the Non-Executive Directors that are jointly responsible for ensuring that effective engagement occurs with the wider workforce.

The Company undertakes a range of activities and initiatives to ensure that the views and opinions of its employees are heard by the Board and factored into its decision making. During the year ended 31 December 2019 these included:

- guest attendances by senior managers at Board meetings to present on their respective areas of expertise;
- ongoing employee engagement surveys, the results of which are reviewed quarterly by the Board; and
- regular all employee calls and email communications issued by the senior management team covering all regions.

The Group also implemented a broad range of activities to further support and promote employee engagement and wellbeing during the year, and drive a positive culture throughout the Group including:

- Employee Wellbeing Week, promoting activities to improve both physical and mental health;
- introduction of Bike to Work scheme in the United Kingdom;
- introduction of new corporate values and clarification of our corporate purpose;
- provision of free Employee Assistance Programme in the United Kingdom through 'Health Assured' and regional equivalent programmes; and
- regular sporting and social events in all regions, including running clubs, book clubs, team games and seasonal festive activities.

Environmental Policy

As a supplier of software solutions the Group's operations do not have a significant impact on the environment. The Group has no manufacturing facilities and its premises exclusively comprise offices. 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 waste paper is minimised by promoting a paperless process and downloadable software products. However, 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.

Greenhouse Gas Emissions

The Company complies with the greenhouse gas (GHG) emissions reporting requirements of The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. The Company reports all material GHG emissions, wherever possible using 'tonnes of CO_2-equivalent' (tCO_2e) as the unit, to account for all GHGs which are attributable to human activity, as defined in section 92 of the Climate Change Act 2008(a). Emissions data is reported for the Group's continuing operations in London, Poland, the USA and Singapore and up to 28 June 2019 in Fleet, Guernsey, Cambridge, Cyprus and Canada (being offices of the Microgen Financial Systems business which were disposed of by the Group during the year). The methodology used to compile this data is in accordance with the requirements of the following standards: the World Resources Institute's (WRI) Greenhouse Gas Protocol (revised version); Defra's Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance (June 2013) and ISO 14064 – part 1.

Material GHG emissions from business activities in 2019 totalled 563 tCO_2e (2018: 516 tCO_2e), consisting of:

- 111 tCO_2e from the combustion of fuel and the operation of any facilities; and
- 452 tCO_2e from the purchase of electricity, heat, steam or cooling by the Group for its own use

Report of the **Directors**

	Emissions source	Tonnes of CO_2e 2016	Tonnes of CO_2e 2017	Tonnes of CO_2e 2018	Tonnes of CO_2e 2019	Percentage change to 2019 (%)
CO_2e from the combustion of fuel and the operation of any facilities	Natural gas	133	91	93	88	(5)
	Refrigerant	2	5	3	20	667
	Owned vehicles	3	3	2	3	50
CO_2e from the purchase of electricity, heat, steam or cooling by the Group for its own use	Purchased electricity[1]	597	445	418	452	8
	Total	**735**	**544**	**516**	**563**	**9**

1 This work is partially based on the country-specific CO_2 emission factors developed by the International Energy Agency, © OECD/IEA 2019 but the resulting work has been prepared by Aptitude Software and Carbon Smart and does not necessarily reflect the views of the International Energy Agency.

Carbon intensity ratio for this reporting period was 8.3 tCO_2e (2018: 7.3 tCO_2e) per £1,000,000 turnover, including revenue generated from both continuing and discontinuing operations.

This is the seventh year that carbon footprint data has been gathered and this year the annual totals have shifted slightly as the reporting year was changed to align with the financial accounting period which ends the 31 December. This required restating all past years since the baseline year of 2016 and estimations/extrapolations to be performed for the October to December period. The Group disposed of Microgen Financial Systems on 28 June 2019, in which the offices in Fleet, Guernsey, Cambridge, Cyprus and Canada were disposed of and therefore excluded from the Group's reporting from 30 June 2019 onwards. Serbia, Toronto and Jersey were closed in December 2017 and fall outside of the reporting year.

Although five offices were disposed of on 28 June 2019 as part of the disposal of Microgen Financial Systems, this year the Group saw a slight increase in emissions. This is mostly attributable to greater electricity consumption at the largest office, Poland, combined with more accurate electricity data received for the Fleet office (which had previously been estimated) and a high refrigerant top up reported for that office.

In 2015 the WRI introduced updates to the Greenhouse Gas Protocol stating that organisations should provide two numbers to reflect the emissions from the purchase of electricity, heat, steam or cooling. The location-based method reflects average emissions intensity of grids where energy consumption occurs. The market-based method reflects emissions from energy that companies have chosen or their lack of choice.

Country	Electricity generation (location based) tCO_2e	Electricity generation (market based) tCO_2e	Instrument types
United Kingdom & Channel Islands	100	134	Mix of supplier fuel mix disclosure emission rate and residual mix factor
Poland	303	385	Residual mix factor
USA	27	27	Average national emissions factor
Canada	1	1	Average national emissions factor
Cyprus	14	15	Supplier fuel mix disclosure
Singapore	7	7	Average national emissions factor
Total	**452**	**569**	

Where it has not been practical to gather data on energy use for the Group's smaller offices, or those newly occupied, benchmark energy consumption figures have been used. Residential accommodation for employees is not included in our GHG emission statement.

The Company reports on GHG sources over which operational control is held and which are associated with the business activities covered in this Report of the Directors.

The Company continues to work to meet and exceed the greenhouse gas (GHG) emissions reporting requirements of The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. We are also aware of forthcoming obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We will look to produce reports in accordance with requirements for quoted companies under these new regulations in the next reporting year.

Political Donations

The Group made no political donations in the year (2018: £nil).

Substantial Shareholdings

In accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority. As at 9 March 2020, the Company had been advised of the following notifiable interests in its voting rights:

	Number of Shares	% Issued Share Capital[1]
Schroders Plc	6,753,750	12.01%
Canaccord Genuity Group Inc.	5,741,358	10.21%
Merian Global Investors (UK) Limited	5,509,865	9.80%
Mrs C Barbour, Mr B Barbour & Bank of New York Mellon (Brussels (Pooled))	4,409,689	7.84%
Invesco Limited	3,104,058	5.52%
Herald Investment Mgt	1,963,889	3.49%

1 Calculated by reference to the number of shares in issue at 9 March 2020, being 56,220,084.

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

As part of the return of capital that took place following the disposal of Microgen Financial Systems, 63,590,392 B shares were issued, being one B Share for every ordinary share in issue as at 23 September 2019. The B shares did not carry any voting rights and were not admitted to trading. The B shares were cancelled on 25 September 2019.

On 24 September 2019, to maintain share price comparability, the ordinary shares of the Company were consolidated using a ratio of 7 new ordinary shares to 8 existing ordinary shares. This consolidation took place in conjunction with a return of capital to shareholders.

At 10 March 2020 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 28 April 2020 are set out in the Notice of Meeting which accompanies this report.

Report of the **Directors**

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, in 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 maintained by the UK Listing 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 show the right of the transfer or to make the transfer (and, if the instrument of transfer is executed by some other person on his 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.

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;

(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 (3) months.

Repurchase of Own Shares

At the Annual General Meeting held on 21 May 2019 members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 6,117,713 ordinary shares of 6 3/7 pence each.

The minimum price which could be paid for each share was 6 3/7 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 28 April 2020.

Report of the **Directors**

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 129.

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 (appointed 1 September 2019)
Philip Wood
Peter Whiting
Barbara Moorhouse
Tom Crawford (resigned 17 January 2020)

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 at each Annual General Meeting, in accordance with the recommendation of the 2018 Corporate Governance Code.

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 2019 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 Polish Aptitude Innovation Centre, the Group routinely enters into forward contracts in respect of monthly transactions with that part of the Group's business. The Group also has exposure to exchange rate risks arising in respect of US Dollar revenue and costs in the Group's Aptitude Software business, and the Group implemented in February 2017 a hedging policy involving the entry into forward contracts in respect of these US Dollar denominated transactions. 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 had in place an effective interest rate hedge to manage exposure on borrowings. An interest rate swap was used as a cash flow hedge of future interest payments, which have the effect of increasing the proportion of fixed interest debt. On 10 May 2019, the Group settled its outstanding term loan facility and accompanying interest rate swap in full in order to release the charges held over the Group as part of the preparation for the disposal of the Microgen Financial Systems business.

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 86 for further information on the Group's management of financial risk.

Overseas subsidiaries and branches

Details of the Group's subsidiaries, including those in overseas jurisdictions, are disclosed in Note 12 to the financial statements on page 108. The Group also currently operates overseas branches in the following countries; Australia, Hong Kong, Ireland, Netherlands, Singapore, Sweden and Switzerland.

Auditors and Disclosure of Information to Auditors

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.

The auditors, Grant Thornton LLP, were appointed by the Board during the year, and a resolution regarding their appointment by shareholders will be proposed at the Annual General Meeting.

Corporate Governance

The Group's statement on corporate governance is included in the Corporate Governance Statement on pages 26 to 34 and incorporated into this Report of the Directors by reference.

Annual General Meeting

The forthcoming Annual General Meeting will be held at 10.00 am on Tuesday, 28 April 2020 at the Company's offices at Old Change House, 128 Queen Victoria Street, London EC4V 4BJ. The notice of the Annual General Meeting contains the full text of resolutions to be proposed.

By Order of the Board

Georgina Sharley
Company Secretary

10 March 2020

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 2019, with one minor exception for a temporary period relating to Provision 11 of the Code, as explained below. A full statement of compliance with the principles of the Code is on pages 33 and 34.

Board of Directors

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 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 senior managers within 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 primarily responsible for management of the Board, corporate strategy and development and ensuring effective communication with shareholders. Prior to the disposal of the Microgen Financial Systems business on 28 June 2019, there were two Chief Executive Officers who were responsible for running the Microgen Financial Systems and Aptitude Software businesses. The Group now has one Chief Executive Officer who is responsible for managing the business as a whole.

Provision 11 of the Corporate Governance Code recommends that at least half of the Board, excluding the chair, should be independent non-executive Directors. On 1 September 2019 Jeremy Suddards was appointed to the Board and a handover plan was agreed for his transition to the role of Chief Executive Officer, in view of the pending resignation of Tom Crawford. The Board considered it to be important that Jeremy Suddards was appointed prior to Tom Crawford's departure, to ensure a seamless transition and no disruption to the business. As a result of the overlap in these appointments between 1 September 2019 and 16 January 2020, the Board was not compliant with Provision 11 of the Code for this temporary period. Following the resignation of Tom Crawford on 17 January 2020 the Company is once again compliant with this provision.

Non-Executive Directors are appointed for specified terms, up to a maximum of three years, and reappointment is not automatic. There is a formal selection process to appoint Non-Executive Directors which is led by a separate Nomination Committee.

Peter Whiting is the Senior Independent Non-Executive Director. In performing this role, Peter 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. Peter is also available as an intermediary between his fellow 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. In the fulfilment of his role Peter ensures that he maintains an appropriate level of understanding of the views of the Company's shareholders.

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. Jeremy Suddards will offer himself for election by Shareholders at the 2020 Annual General Meeting, with this being the first Annual General Meeting since his appointment to the Board on 1 September 2019. All other Directors will offer themselves for re-election by Shareholders at this meeting.

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.

Peter Whiting has served on the Board since February 2012 and was appointed as Chair of the Remuneration Committee in April 2016. Therefore, Peter will have served on the Board for nine years in February 2021. The Board has carefully considered the recommendations of the 2018 Corporate Governance Code relating to independence and tenure of Directors and concluded that Peter will continue to remain fully independent in mind and judgement upon reaching nine years' service in 2021. Furthermore, his detailed knowledge of the Company is valued greatly by the Board and his re-election at the 2020 Annual General Meeting will therefore be recommended to shareholders. The factors that were taken into consideration in reaching this decision were as follows:

- the robust level of challenge demonstrated by Peter within the boardroom, reflecting a clear division of responsibilities between his role as a Non-Executive Director and that of the Executive Directors;
- the highly effective leadership that he brings to the Remuneration Committee, ensuring that the interests of the Company, its employees, shareholders and other stakeholders are balanced when reviewing and setting executive remuneration;
- the impartiality and commitment that he demonstrates as Senior Independent Director; and
- the extensive industry experience and market knowledge of the Company that Peter brings to his role.

Board Committees

Throughout 2019 each of Ivan Martin, Peter Whiting and Barbara Moorhouse served on the Nomination and Remuneration Committees. Throughout 2019, Peter Whiting and Barbara Moorhouse served on the Audit Committee. The Committees have written terms of reference which clearly specify their authority and duties and those terms of reference are available upon written request to the Company.

Nomination Committee

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

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

- Review the structure, size and composition of the Board and its Committees including its balance of skills and experience and make recommendations to the Board with regard to any changes;
- Lead the process for Board appointments and recommend new appointments to the Board for approval; and
- Consider succession for Directors and other senior executives, including the identification and assessment of potential candidates and making recommendations to the Board for its approval.

During the year, the Committee met twice, with all members present.

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.

During the year the Committee also:

- 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 2019 Annual General Meeting and recommended Directors for re-election at the 2019 Annual General Meeting;
- reviewed succession planning, considering both short term emergency and long-term planning scenarios, and executive talent management. This included the appointment of Jeremy Suddards to the Board of Directors and the implementation of a structured plan for his transition to the role of Chief Executive Officer; and
- undertook a review of the performance and effectiveness of the Board, its Committees, the individual Directors and the Company Secretary (see below for details).

The Committee's focus in 2020 will be to continue its work in relation to succession planning and executive talent management.

Corporate Governance **Statement**

Annual Review of the Performance and Effectiveness of the Board and its Committees

The Nomination Committee undertook an internal review of performance and effectiveness in respect of the year ended 31 December 2019, which was supported by the Company Secretary and conducted with reference to the Financial Reporting Council Guidance on Board Effectiveness. It was felt that an internally led process remained proportionate and appropriate for the Company in respect of 2019, however, it has been agreed that the possibility of engaging an independent third party to undertake a future review will be considered further during the coming year, taking into consideration the evolving size and maturity of the Group.

The 2019 internal review was structured as follows:

- review of each individual Director, the Chair and the Company Secretary undertaken without them being present, taking into consideration performance over the year, continuing effectiveness and any future development needs. Feedback to Directors provided on a one to one basis by the Chair of the Committee. Feedback was provided to the Company Secretary by the Deputy Chief Executive Officer and Chief Financial Officer. In the case of the Chair, feedback was provided via the Senior Independent Director;
- review of the composition, processes and effectiveness of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee, with the review of the Committees being led by the respective Chairs of those Committees; and
- review of the collective performance and effectiveness of the Board, including decision making processes, communication flows, strategic focus and succession planning arrangements.

From this review, the Committee concluded that the Board and its Committees continued to operate effectively, demonstrating an appropriate mix of skills, knowledge and diversity of thinking which supported the stated strategy and purpose of the Group. It was also agreed that an open culture existed in which any areas for future development and continuous improvement could be constructively raised and fed into forward looking objectives.

Remuneration Committee

Peter Whiting is Chair of the Remuneration Committee. During the year, the Committee also comprised Ivan Martin and Barbara Moorhouse. The Directors' Remuneration Report appears on pages 35 to 61.

Audit Committee

Barbara Moorhouse, a Fellow of the Chartered Institute of Management Accountants (CIMA), is Chair of the Audit Committee. The Committee is comprised of two members, the other member being Peter Whiting. 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 year's Audit Committee Report outlines our 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 Grant Thornton UK LLP (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.

On 4 October 2019, the Company announced the appointment of Grant Thornton UK LLP ('Grant Thornton') as its new external auditor with immediate effect. Grant Thornton replaced PricewaterhouseCoopers LLP who had formally resigned and confirmed that there were no reasons or matters connected with their ceasing to hold office as auditors which they considered should be brought to the attention of the members of the Company. Factors that influenced the Company's decision to appoint Grant Thornton, included their proven track record of auditing United Kingdom smaller listed companies, their knowledge of the technology sector and the breadth of experience contained within their audit team. As part of the appointment process, the Audit Committee met with the proposed audit partner and audit team and agreed a formal transition plan from PricewaterhouseCoopers to Grant Thornton, to ensure a seamless handover. Grant Thornton have conducted the audit of the Company's financial statements for the financial year to 31 December 2019 and their appointment as auditor for the following financial year will be subject to approval by shareholders at the 2020 Annual General Meeting.

External audit partners will be rotated every five years (seven years for subsidiary companies). The current external audit partner is Rebecca Eagle who was appointed on 4 October 2019.

The external auditors present in advance of the year end their approach to the forthcoming audit together with 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, reappointment 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 31. The Executive Directors attended the Audit Committee meetings throughout 2019 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. 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 auditors' objectivity and independence. The Committee delegates the authority for approval of such work to the Chief Financial Officer 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 were:-

Revenue Recognition

A key area of judgement in respect of recognising revenue is the timing of recognition where management assumptions and estimates are necessary. The Audit Committee receives an overview of significant contracts entered into during the course of the year which provides the opportunity to discuss the impact of contractual terms on revenue recognition.

Whilst the Group continues to promote its preferred annual licence fee or subscription model, a small number of material contracts were secured in prior periods on an initial or perpetual licence fee basis with accompanying significant ongoing maintenance. The Audit Committee carefully considered and discussed with the external auditors the revenue recognition on both these contracts and its annual licence fee or subscription contracts in line with the Group's current revenue recognition policy for software licence revenue detailed on pages 78 and 79. The Audit Committee has concluded that they are satisfied with the accounting treatment of these agreements.

In addition, the Group has a material contract which includes the provision of implementation services on a fixed price basis with fees totalling approximately £1.9 million. This project has continued throughout 2019, concluding early 2020 and the Audit Committee is 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 timing of recognition 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 Software 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.

The Audit committee has also reviewed the underlying calculation behind the amount of goodwill allocated to the Microgen Financial Systems business on disposal and concluded that this treatment is appropriate. See note 28 for details.

Development costs

As the Group continues to grow its product suite the level of development effort and associated costs have grown year on year to £9.3 million in 2019. 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. As a result of recent changes in the interpretation and application of sales tax regulations in the USA, the Group has reviewed its liability to tax its supplies in a number of states. Following this review the Group considers that there is risk that some elements of its supplies in these states would have been subject to sales tax in previous periods. As such, the Group has made a provision for the potential historic sales tax exposure in its operating costs given the risk of non-recoverability from its clients who will bear these costs going forwards. In all other aspects the Audit Committee is currently satisfied with the tax position of the Group.

Internal Audit / Assurance Programme

During 2018, the Group commenced an internal audit / assurance process, to focus on key areas of risk, both financial and operational within both Microgen Financial Systems and Aptitude Software, being its two operating businesses at the time. In view of the changed corporate structure and profile of the Group following the disposal of Microgen Financial Systems on 28 June 2019, the Audit Committee has taken the decision to restructure and refocus this programme to reflect the current structure of the business and its strategic priorities.

The Audit Committee engaged with senior management to determine the revised approach and areas of focus for the programme, which includes the review of specific business processes for key areas of risk in addition to improving and testing of the operation of controls. A specialist external organisation with relevant experience in the technology sector will be engaged to support the first phase of the newly restructured programme. The results of all work undertaken under the programme will be presented to the Audit Committee.

Accounting Standards

During the prior year the Group took the decision to early adopt the IFRS 16 '*Leases*' standard (effective for periods beginning on or after 1 January 2019) with an effective date of 1 January 2018. Consequently, there have not been any new Accounting Standards introduced during the year although the Audit Committee continues to monitor the application of relevant accounting standards to the Group, engaging with the external auditors on this subject as appropriate.

Audit Committee Evaluation

During the year 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 2019	9	5	9	2
Ivan Martin	9/9	5/5	9/9	2/2
Tom Crawford (resigned 17 January 2020)	9/9	5/5	9/9	2/2
Jeremy Suddards (appointed on 1 September 2019)	2/3[1]	1/2[1]	2/3*	—
Philip Wood	9/9	5/5	9/9	2/2
Peter Whiting	9/9	5/5	9/9	2/2
Barbara Moorhouse	9/9	5/5	9/9	2/2

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.

The above table details attendance at scheduled meetings as a proportion of the total number of meetings held. Jeremy Suddards was appointed during the year and accordingly, his attendance is indicated as a proportion of the total number of meetings held since his appointment.

During the year, 13 additional ad-hoc Board and Board Committee meetings were also held which are not included in the above figures, mainly in connection with the disposal of Microgen Financial Systems and the subsequent return of capital to shareholders. Furthermore, 17 meetings of a sub-committee relating to the exercise of options under the Company's share option schemes were held.

1 Jeremy Suddards was unable to attend the meetings held in December 2019, due to the birth of his daughter.

Management Meetings of the Operating Business

Prior to the disposal of Microgen Financial Systems, each of the Group's two operating businesses held management meetings on a monthly basis. Following the disposal of this business, there is now a single Senior Leadership Team which meets on a monthly basis and is chaired by Jeremy Suddards, Chief Executive Officer. Quarterly Business Review meetings are also held with other functional and regional management teams within the business to monitor financial position, sales activities and operational performance.

Relations with Shareholders

In order to maintain dialogue with institutional shareholders the Chairman and/or the Executive Directors meet with key shareholders. Other Directors are available to meet key shareholders on request. 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 continuing Directors generally attend the Annual General Meeting.

Capital Structure

The information required pursuant to the Disclosure Guidance and Transparency Rules is detailed on pages 21 to 23.

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.

Corporate Governance Statement

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 14 and 15. 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 2019 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.

On behalf of the Board, the Audit Committee has reviewed the key risks facing the Group, and the operation and effectiveness of this framework of internal control for the year ended 31 December 2019, and up to the date of approval of the Annual Report.

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.
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.	During the year the Group has refreshed its corporate purpose and values and 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 the Senior Leadership Team 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 14 and 15.
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. Non-Executive Directors are available to meet institutional shareholders if requested. 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. 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.	The Board has nominated Peter Whiting and Barbara Moorhouse, being independent Non-Executive Directors, to jointly have responsibility for engaging with the wider workforce. The Board as a whole reviews these engagement activities on a quarterly basis. Employees are able to raise any concerns with Peter Whiting, 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. 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 three independent Non-Executive Directors (including the Non-Executive Chairman) at all times during 2019. The Board has appointed Peter Whiting to be the Senior Independent Non-Executive Director, to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Independent Non-Executive Director is available to shareholders if they have concerns which contact through the normal channels of the Chairman, Chief Executive Officer or Chief Financial Officer fails to resolve or for which such contact is inappropriate. The Chairman holds meetings with the Non-Executive Directors without the Executive Directors being present. Led by the Senior Independent Non-Executive 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.
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. None of the Executive Directors currently holds any other such role. 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.

Corporate Governance **Statement**

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 of the Nomination Committee under Code Provision B.2.1 is set out on page 27.
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.
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.	Given the Group's size and Board structure, performance evaluation is an ongoing process, but it is also undertaken on a formal basis prior to Directors being offered for re-election by shareholders. This review of effectiveness is undertaken internally, with guidance from the Company Secretary and with reference to the Financial Reporting Council Guidance on Board Effectiveness. 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 the independence and effectiveness of the external Auditor. 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 2019 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 includes the review of the key risk factors that impact 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 14 and 15.
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. Changes to the Policy are being proposed in 2020 to reflect recent developments in the strategy and structure of the Group following the disposal of the Microgen Financial Systems business and to reflect the recommendations of the 2018 Corporate Governance Code. Details of these changes can be found on page 17.
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 Leadership Team, including the Company Secretary. A disclosure in relation to the composition of the Remuneration Committee is set out on page 28. 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 2019, 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 2019. This report summarises the Committee's decisions in relation to Directors' remuneration in 2019, describes the proposed 2020 Directors' Remuneration Policy and details how the Committee proposes to implement the new Policy in 2020.

Our Directors' Remuneration Policy

Our current Directors' Remuneration Policy was approved by shareholders at the 2017 Annual General Meeting with 95.7% of the votes cast in favour of it. We were also pleased to see strong support for the Annual Report on Remuneration at the 2019 Annual General Meeting, with 98.18% of the votes being 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 is recommending that this be updated to reflect the changed corporate structure and profile of the business following the disposal of Microgen Financial Systems on 28 June 2019, the recommendations of the 2018 UK Corporative Governance Code and recent developments in best practice.

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

- the introduction of a deferred bonus arrangement, meaning that 20% of any bonus payable to Executive Directors will be held for a period of two years after the end of the performance period and payable in shares;
- the introduction of a shareholding guideline of 200% of salary for Executive Directors, to be achieved by the end of three years following a Director's appointment to the Board through the retention of shares awarded via the Group's Performance Share Plan and deferred bonus arrangements;
- an increase in the maximum bonus which may be earned by Executive Directors in normal circumstances from 100% of salary to 125% of salary;
- an increase in the maximum value of share options that can be granted to Executive Directors in normal circumstances from 100% of salary to 125% of salary (albeit there is no current intention to award share options in excess of 100% of salary during the year ended 31 December 2020);
- the introduction of a post-employment shareholding policy for Executive Directors; and
- a number of changes to the way the Performance Share Plan 2016 scheme is operated, including the ability for the Remuneration Committee to apply discretion when determining vesting rates, to avoid any unfair or unintended outcomes that might arise from a strictly formulaic approach.

The Committee believes that these amendments to the current policy are necessary to ensure that the Group is able to attract and retain high quality Directors and senior executives with the necessary leadership skills and industry experience to drive forward the Group's strategy and continued growth.

In making these recommended changes to the Policy, the Committee has been mindful that the structure of the Group has changed significantly during the last 12 months following the disposal of the Microgen Financial Systems business. Partly as a result of the disposal, North America has become an increasingly important region for the Group in terms of profile and revenue. It is therefore vital that our remuneration approach supports this evolution and enables us to secure the best possible talent within the industry by offering market competitive remuneration packages that will incentivise growth and reward success.

Executive Director changes

Tom Crawford stepped down from the Board with effect from 17 January 2020. Tom continues to be employed by the Group on a part time basis, but no longer has any involvement in the day to day operations of the business. Details of the remuneration arrangements relating to Tom's leaving, which were determined in accordance with the shareholder approved Directors' Remuneration Policy, are set out on page 55. Jeremy Suddards was appointed to the Board on 1 September 2019 and took on the role of Chief Executive Officer on 17 January 2020.

Directors' Remuneration **Statement**

Executive Director Remuneration in 2019

Salaries

On 1 January 2019, the salaries of Tom Crawford and Philip Wood were increased by 4%, in line with the range of increases awarded to the wider workforce.

From 29 October 2018 to 28 June 2019, a salary supplement of £2,000 per month was paid to Philip Wood, in recognition of the additional responsibilities and time commitment involved in his appointment as Acting Chief Executive Officer of Microgen Financial Systems. This arrangement ceased upon the disposal of the Microgen Financial Systems business.

The Remuneration Committee approved a further salary increase of 11.6% for Philip Wood with effect from 1 July 2019 to reflect his increased responsibilities as Deputy Chief Executive Officer and Chief Financial Officer.

The salary of Jeremy Suddards was set at £250,000 upon his appointment to the Board on 1 September 2019.

Variable remuneration outcomes

The overall performance of the Group in 2019 is discussed in the Strategic Report on pages 2 to 11.

The financial performance measures set for the year ended 31 December 2019 included (in the case of Philip Wood) targets based in part on the performance of Microgen Financial Systems. As a result of the disposal of that business on 28 June 2019, the Committee had to decide how to assess Philip's performance given this change in circumstances. More detail is given below, and on pages 50 and 51. The financial performance measures relating to the Aptitude Software business were not met in 2019.

The non-financial performance measures for Tom Crawford were set prior to his decision to step down from the Board. Following this decision, it was agreed that Tom's personal objectives for the second half of the year would also include the completion of a structured handover to his appointed successor, Jeremy Suddards. This was successfully completed on 17 January 2020. Despite performing strongly against his non-financial objectives, Tom Crawford did not receive a bonus for 2019 due to the financial performance measures for the Aptitude Software business not being met for 2019.

Jeremy Suddards was appointed to the Board on 1 September 2019. His non-financial performance measures were focussed on progressing into the Chief Executive Officer role, following a handover from Tom Crawford, and on maximising services revenues during the remainder of 2019. Despite performing strongly against these objectives, Jeremy Suddards did not receive a bonus in respect of his appointment as an Executive Director from the period 1 September 2019 to 31 December 2019 given that the financial performance measures for the Aptitude Software business were not met for 2019.

Philip Wood earned a bonus of 20% of his salary (out of a maximum of 75%) in respect of the financial element, based on the financial performance of Microgen Financial Systems up to the point of its disposal; and a bonus of 25% of his salary (the maximum possible) for his performance against his non-financial elements. The Committee believes that Philip performed very strongly against both the financial and non-financial elements related to Microgen Financial Systems, with shareholders benefiting directly from the success of the disposal process as a result of the associated return of capital of £46.4 million. Philip therefore received a total bonus of £98,820. More detail is provided on page 51.

On 3 August 2016 Tom Crawford and Philip Wood were granted awards over 217,617 and 191,710 shares respectively under the 2016 Performance Share Plan, which vested by reference to TSR performance (209% over the performance period) assessed to 3 August 2019. These awards vested in full and were exercised on 6 August 2019.

On 10 August 2017 Tom Crawford and Philip Wood were each granted awards over 53,287 and 46,485 shares respectively under the 2016 Performance Share Plan which will vest by reference to EPS and TSR performance assessed to 31 December 2019. More detail is included on page 52 in relation to the treatment of the EPS performance measure following the disposal of Microgen Financial Systems. These awards are subject to an additional 2 year holding period following the end of the 3 year performance period and will therefore vest and become exercisable in March 2022. The Executive Directors do not hold any share options that are due to vest during 2020.

On 28 October 2019, Jeremy Suddards and Philip Wood were granted Performance Share Plan awards over of 85,179 and 62,606 shares, which are due to vest by reference to performance assessed over the three year period ending 31 December 2021, with vesting due to occur in 2024 following the end of a two year holding period. These awards were granted in excess of the normal maximum level due to the exceptional circumstances outlined on page 53. Further information on all of these awards can be found on pages 49 to 54.

Our approach to Executive Director remuneration in 2020

The proposed changes to the current arrangements for Executive Director remuneration are set out on page 55 and these are subject to approval by shareholders at the 2020 Annual General Meeting.

The salaries of the Executive Directors are typically reviewed on 1 January of each year. Following careful consideration, the Remuneration Committee concluded that it would not be appropriate to increase the salaries of the Executive Directors on 1 January 2020, given the salary adjustments already made during the year ended 31 December 2019 to reflect the new roles of Philip Wood and Jeremy Suddards. The Executive Director salaries therefore remain unchanged from 31 December 2019.

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

Subject to shareholder approval at the 2020 Annual General Meeting, the overall maximum bonus opportunity will be increased to 125% of salary, as explained on page 55. The Executive Directors' maximum bonus opportunity in respect of the year ending 31 December 2020 will be 125% of salary, with the level of bonuses earned being subject to the achievement of stretching performance measures. 75% of the opportunity will be based on financial performance measures 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.

The maximum level of awards that can be granted under the performance share plan will also be increased to a maximum of 125% of salary, as explained on page 55. Shareholder approval for a consequential amendment to the Performance Share Plan rules will be sought at the 2020 Annual General Meeting. There is no current intention to utilise this increased limit during the year ended 31 December 2020, but this will provide the Remuneration Committee with flexibility to do so in future years. The vesting of awards will be subject to the achievement of stretching performance conditions based on EPS and TSR; further information is included on pages 55 and 56.

In conjunction with these increased limits, a new bonus deferral mechanism will be introduced for the Executive Directors, meaning that 20% of any bonus payment earned will become subject to a deferral period of two years and payable in shares. The 20% deferral will apply even if the bonus earned is at or below the previous 100% of salary bonus level. Shareholder approval for a new Deferred Bonus Plan will be sought at the 2020 Annual General Meeting.

New arrangements in relation to Executive Directors' shareholding guidelines and the treatment of Executive Directors' shareholdings post cessation of employment are also proposed within the new Policy, in accordance with the recommendations of the 2018 Corporate Governance Code, as detailed on page 17.

During the course of 2020, including the period prior to the 2020 Annual General Meeting at which the new Policy will be subject to shareholder approval, the Remuneration Committee will ensure that any decisions made in relation to the remuneration of the Executive Directors are made with due consideration to the provisions of the 2018 Corporate Governance Code.

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 2020 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 2019. This will be subject to an advisory vote at the 2020 Annual General Meeting.

Directors' Remuneration **Statement**

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 2019.

In considering the application of the 2018 Corporate Governance Code during the year, the Committee considered the requirement to produce a Chief Executive Officer pay ratio calculation. However, as the Group does not employ 250 United Kingdom employees, the Company is not required to produce a calculation. The Committee considered that this provision of the Code was not appropriate in light of the number of United Kingdom employees.

The Company's remuneration policy for the Executive Directors and the Senior Leadership Team is based on the following principles, and takes into account prevailing best practice, shareholder expectations, and the remuneration of the wider employee population:

- Ensure remuneration arrangements support the Group's business strategy;
- Align interests of Directors and the Senior Leadership Team with those of the shareholders;
- Determine remuneration by reference to individual performance, experience and prevailing market conditions, with a view to providing a package appropriate to the responsibilities involved;
- Encourage behaviours which will enhance the performance of the Group and reward achievement of the Group's strategic and financial goals;
- Ensure that an appropriate proportion of the overall remuneration package is incentive pay, which is earned for the delivery of stretching performance conditions.

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 2020 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 2017 Annual General Meeting and the rationale for them are summarised in the Remuneration Committee Chairman’s statement on page 35.

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 be in line with 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.	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 125% 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 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 PSP provides for awards of up to a maximum limit of 125% 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. There is no present intention to grant PSP awards in excess of 100% during the year ended 31 December 2020. 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 continuous employment and 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 percentage as is permitted under the applicable legislation).	None.

Notes to the Policy Table

Selection of performance measures

The performance measures under the Management Bonus Scheme and Performance Share Plan 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 Performance Share 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.

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 will not be expected to acquire shares in the market in order to meet this guideline, but instead will be 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 has adopted a post-employment shareholding requirement. 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 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.

Directors' Remuneration Report

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
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. 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 effective 1 January of the following financial year. Increases are typically made in line with 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 to participate in the PSP, and are eligible to receive option grants. Under normal conditions, performance conditions are consistent for all participants, while award sizes vary by organisational level. 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.

Illustrations of the application of the Executive Directors' Remuneration Policy

The following chart sets out an illustration in line with the Policy set out above of the potential remuneration in 2020 for the Executive Directors, and 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.

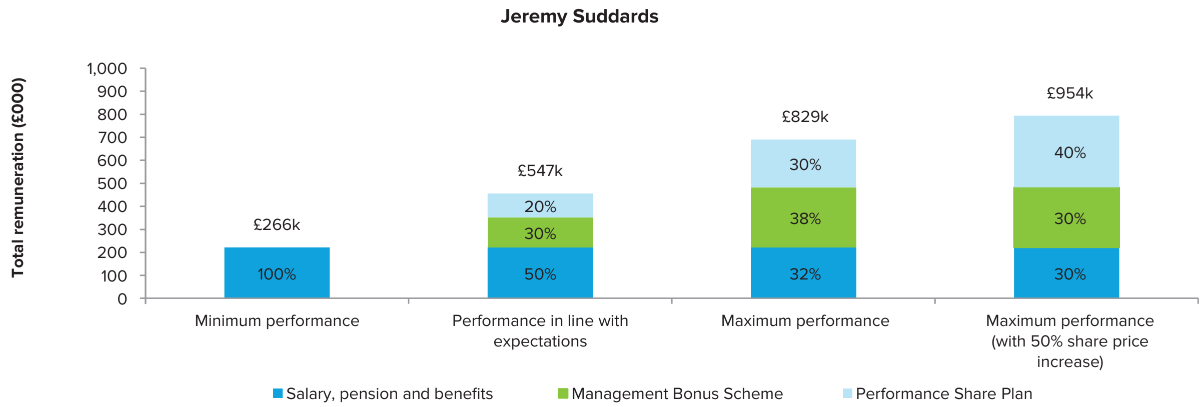
Potential reward opportunities are based on the Policy, taking into account basic salaries applying with effect from 1 January 2020 and the 2019 benefits figure from the single total figure of remuneration table on page 51.

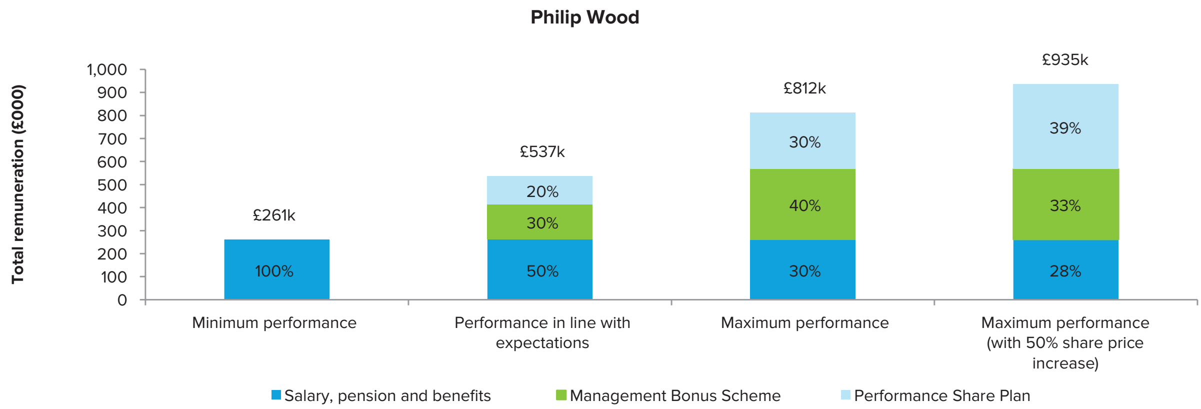
The 'minimum' scenario shows basic salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the Executive Directors' remuneration packages which are not at risk.

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 the Executive Directors are granted PSP awards of a value equivalent to 100% of their basic salary with 50% of the maximum (i.e. 50% 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 the Executive Directors are granted PSP awards of a value equivalent to 100% of their 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.





Directors' Remuneration **Report**

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 325% of salary (assuming a 125% 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 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 23. 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 or Remuneration Committees or other responsibilities as appropriate.

Directors' Service Contracts

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. Each 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. Tom Crawford is not included in this table as he stepped down from the Board on 17 January 2020.

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

1 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.

Directors' Remuneration **Report**

Save As You Earn Scheme and International Sharesave Scheme	
Death	Options can be exercised within 12 months from the date of death (or 12 months after the end of the savings contract, if earlier).
Retirement, injury, disability, redundancy, sale of the participant's employer out of the group	Options can be exercised within 6 months from the date of cessation of employment, but only to the extent that savings have been made.
Any other reason more than three years after grant	Options can be exercised within 6 months from the date of cessation of employment, but only to the extent that savings have been made.
Any other reason	Options lapse.

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. 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.

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 2021
Peter Whiting	2 February 2012	2 February 2012	1 March 2023
Barbara Moorhouse	27 February 2017	1 April 2017	1 March 2023

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);
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.

Directors' Remuneration **Report**

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 2019. 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 the delivery of the Company's strategy is supported by the Company's remuneration policy. The Committee's responsibilities during 2019 included:

- determining the Company's remuneration policy and monitoring its implementation;
- approving remuneration packages for each of the Executive Directors, the Senior Leadership Team and the Company Secretary;
- determining the terms on which Performance Share Plan and Company Share Option Plan awards are made; and
- reviewing and setting performance targets for incentive plans.

The Committee has applied the principles of the 2018 Corporate Governance Code throughout the year ended 31 December 2019.

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 2019

The membership of the Remuneration Committee as at 31 December 2019 comprised Peter Whiting (Committee Chair), Barbara Moorhouse and Ivan Martin.

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 9 meetings during the financial year and details of members' attendance at meetings are provided in the Corporate Governance section on page 31.

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 2019 and the prior year.

	Jeremy Suddards[1]		Tom Crawford		Philip Wood[7]	
	2019 £	2018 £	**2019 £**	2018 £	**2019 £**	2018 £
Basic Salary	**83,333**	–	**251,750**	242,050	**248,577**	215,358
Taxable Benefits[2]	**350**	–	**591**	548	**1,477**	1,370
Pension[3]	**–**	–	**14,523**	13,925	**12,669**	12,176
Management Bonus[4]	**–**	–	**–**	–	**98,820**	–
Long Term Incentives[5]	**–**	–	**1,213,367**	601,607	**1,068,917**	601,607
	–	–	**237,995[6]**	–	**207,617[6]**	–
Total	**83,683**	–	**1,718,226**	858,130	**1,638,077**	830,511

1 Jeremy Suddards was appointed to the Board on 1 September 2019. His single total figure of remuneration has been calculated from his date of appointment and excludes any remuneration received in the capacity of an employee prior to that date.
2 Taxable benefits consist primarily of private healthcare insurance.
3 The Company paid £12,699 to Philip Wood (2018: £12,176) into a self–invested personal pension scheme. The Company paid £14,523 to Tom Crawford (2018: £13,925) by way of a pension allowance, from which tax and national insurance were deducted at the appropriate rates.
4 See below for details of bonuses earned under the Management Bonus Scheme in respect of 2019.
5 Includes in respect of 2018, PSP awards vesting in respect of a performance period ending in the year ended 31 December 2018. Includes, in respect of 2019, PSP awards vesting in respect of a performance period ending in the year ended 31 December 2019. Two figures are included to reflect the fact that PSP awards were granted in 2016 which vested by reference to a three year performance period ending in August 2019 and PSP awards were granted in 2017 which vested by reference to a three year performance period ending on 31 December 2019. Further information is provided below.
6 These figures relate to the value of PSP awards which were granted in 2017 are calculated by reference to the number of shares expected to vest and an average of the Company's share price over the final three months of the 2019 financial year.
7 Between 29 October 2018 and 28 June 2019 Philip Wood received a salary supplement of £2,000 per month in respect of his interim appointment as Acting Chief Executive Officer of Microgen Financial Systems which is included in "Basic Salary" above.

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 2019 and the prior year:

	Ivan Martin		Peter Whiting		Barbara Moorhouse	
	2019 £	2018 £	**2019 £**	2018 £	**2019 £**	2018 £
Basic Salary	**139,400**	134,000	**45,000**	43,300	**45,000**	43,300
Committee Fees	**–**	–	**[1]12,400**	11,900	**8,000**	7,700
Other Fees	**–**	–	**–**	–	**–**	–
Total	**139,400**	134,000	**57,400**	55,200	**53,000**	51,000

1 Peter Whiting's Committee fees consist of £7,000 in respect of his Chairmanship of the Remuneration Committee and £5,400 in respect of his holding the office of Senior Independent Director.

Salary increases during 2019

Each Executive Director's salary was increased by 4% with effect from 1 January 2019, reflecting wider workforce increases.

In view of Tom Crawford's decision to step down from the Board in 2020 and the associated succession plan implemented by the Board, the Remuneration Committee took the decision to make some exceptional additional salary increases for Philip Wood and Jeremy Suddards, to recognise their increased responsibilities and strategic importance within the Group. The salary of Philip Wood was further increased by 11.6% to £245,000 on 1 July 2019, following his appointment to the expanded role of Deputy Chief Executive Officer and Chief Financial Officer. The salary of Jeremy Suddards was set at £250,000 on 1 September 2019, in respect of his appointment to the Board. The salary of Tom Crawford was not increased further during the year.

Incentive outcomes for the year ended 31 December 2019 (audited)

Management Bonus Scheme in respect of 2019 performance

The 2019 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) and the achievement by each Executive Director of non-financial performance measures (as regards 25% of the opportunity) during 2019. The maximum bonus opportunity for each Executive Director was 100% of salary.

The financial performance measures set for the year ended 31 December 2019 included (in the case of Philip Wood) targets based in part on the performance of Microgen Financial Systems. As a result of the disposal of that business on 28 June 2019, the Committee had to decide how to assess Philip's performance given this change in circumstances (see below). Those elements of the financial performance underpin that related to the Aptitude Software business were not met. As a result, no bonuses were paid to Tom Crawford or Jeremy Suddards under the 2019 Management Bonus Scheme.

Financial performance measures (75% of the bonus opportunity)

The table below details the financial performance conditions that were set for the Aptitude Software business at the beginning of 2019. Tom Crawford's and Jeremy Suddards' Management Bonus Scheme entitlements were calculated by reference to these performance conditions. In the case of Jeremy Suddards, his inclusion in the Management Bonus Scheme was limited to the period between 1 September 2019 and 31 December 2019, following his appointment to the Board. As these financial performance conditions were not met for 2019, no bonuses were payable to Tom Crawford or Jeremy Suddards under this scheme for 2019.

	Measure	Weighting	Threshold performance level	On-target performance level	Stretch performance level	Actual performance level	Bonus earned (% of salary)
Aptitude Software	Recurring revenue base	50% of the financial measures opportunity	£29.0m	£30.8m	£32.6m	£28.6m	0%
	Operating Profit (pre-bonus accrual)	50% of the financial measures opportunity	£11.2m	£12.4m	£14.8m	£10.9m	0%

At the start of 2019, it was agreed that Philip Wood's bonus would be calculated by reference to the financial performance of both the Aptitude Software and Microgen Financial Systems businesses over the course of the year. As a result of the disposal of Microgen Financial Systems on 28 June 2019, this was no longer possible. The Committee took into account the following factors in determining the financial performance outcome for Philip Wood:

- the failure of Aptitude Software to achieve its financial performance underpin;
- the operating performance of Microgen Financial Systems to the point of disposal (as detailed in Note 28 to the financial statements), and likely trajectory thereafter had the business remained part of the Group; and
- the quantum of proceeds received, the consequent gain on disposal, and the successful distribution of those net proceeds to shareholders (£46.4 million).

The Committee considered a range of possible methodologies to adjusting the original Microgen Financial Systems financial targets including several that would have resulted in a higher pay out, but considered that an outcome of 20% (against a maximum possible of 75%) represented an equitable outcome both for Philip and for shareholders and reflected the period of time Microgen Financial Systems was part of the Group during the 2019 financial year.

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

The performance of each Executive Director 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 is subject to a financial performance underpin. As the threshold financial performance level for Aptitude Software was not met, no bonus was awarded to Tom Crawford or Jeremy Suddards.

The financial performance underpin relating to Philip Wood included the performance of both the Aptitude Software and Microgen Financial Systems businesses. The disposal of Microgen Financial Systems made such a calculation impossible and (as explained above) the Committee determined that an element of Philip's financial targets had been achieved, and the financial performance underpin consequently satisfied. Philip Wood's non-financial measures related solely to Microgen Financial Systems, and covered both the stewardship of the business prior to disposal, and the disposal process itself. Given the operating performance of the business prior to sale, Philip's exceptional contribution to leading the sales process, the proceeds received by the Group and subsequent distribution to shareholders, the Committee considered that those objectives had been fully satisfied. The Committee therefore concluded that it was appropriate to pay Philip Wood a bonus of 25% of his salary as at 28 June 2019 (being the date of the disposal of the Microgen Financial Systems business) under the non-financial element of the 2019 bonus.

Executive Director	Non-financial performance measure	Achievement
Tom Crawford	Develop the Aptitude Software Strategic Plan, including growth in agreed markets; identify and secure necessary resources and investment to deliver this. Develop new SAFE Project Methodology for Aptitude Software and ensure that this is implemented and embedded into the business to enhance service delivery and project management. Note: Following Tom Crawford's decision to step down from the Board (as communicated during 2019), Tom's non-financial objectives were updated to include the completion of a successful handover to Jeremy Suddards.	N/A (no bonus paid due to financial underpin not being met)
Philip Wood	To continue to provide stewardship and advice to the Microgen Financial Systems management team whilst formulating and successfully executing a strategic plan for the Microgen Financial Systems business.	100%, based on the stewardship provided to the Microgen Financial Systems business; the leadership provided throughout the transaction; and the successful outcome for shareholders achieved in respect of the return of capital.
Jeremy Suddards	Jeremy was appointed to the board on 1 September 2019, with specific objectives to achieve a successful handover from Tom Crawford and maximise service revenues for 2019.	N/A (no bonus paid due to financial underpin not being met)

2019 Management Bonus – Overall Outcome

	Overall (% achievement)	Financial (75% of award)	Non-financial (25% of award)	Total bonus payable
Tom Crawford	N/A[1]	0%	N/A[1]	Nil
Philip Wood	45%	25%	20%	£98,820[2]
Jeremy Suddards	N/A[1]	0%	N/A[1]	Nil

1 As the financial performance underpin for Aptitude Software for 2019 was not met, no bonuses were payable to Tom Crawford and Jeremy Suddards.
2 Philip Wood's 2019 bonus was calculated by reference to his salary on 28 June 2019 (£219,600), being the date of completion of the disposal of the Microgen Financial Systems business.

Directors' Remuneration **Report**

PSP awards vesting in respect of performance in 2019

In accordance with the regulations, we have included the value of PSP awards vesting by reference to performance periods ending in the year ended 31 December 2019. The 2016 PSP awards vested by reference to performance over the three years to August 2019. From 2017 onwards, the Company adopted the more usual practice of aligning the performance period with the Company's financial years. Accordingly, the single figure table also includes the estimated value of the 2017 PSP awards, which will vest by reference to performance in the three year period ended 31 December 2019; the final vesting to be confirmed by the Committee following the finalisation of this report.

2016 PSP awards

Tom Crawford and Philip Wood were granted awards on 3 August 2016 under the Company's 2006 Performance Share Plan over 217,671 and 191,710 shares respectively, which vested on 6 August 2019. The value included in the single total figure of remuneration table is based on the value of the vested shares, calculated as the share price on the date of vesting (£5.64, being the share price on 5 August 2019 the last dealing day before vesting) less the per share exercise price (6 3/7 pence).

	Shares subject to award	Vesting percentage[1]	Vested shares	Value
Tom Crawford	217,617	100%	217,617	£1,213,367
Philip Wood	191,710	100%	191,710	£1,068,917

1 The awards vested subject to continued employment and performance based on Total Shareholder Return ("TSR") as follows:

- 50% would vest if (i) the Company's TSR at least matched the performance of the FTSE Fledgling Index over the performance period; and (ii) the Company's TSR over the performance period was not negative; and
- a further 50% would vest if (i) the Company's TSR outperformed the FTSE Fledgling Index by at least 25% over the performance period; and (ii) the Company's TSR over the performance period was at least 10%.

The Company's TSR over the period was 209%, significantly in excess of the maximum targets and, accordingly, the awards vested in full.

2017 PSP awards

Tom Crawford and Philip Wood were granted awards on 10 August 2017 under the Performance Share Plan over 53,287 and 46,485 shares respectively, which will vest following the end of a two year holding period by reference to a three year performance period ended on 31 December 2019. The Committee will confirm the final vesting of the awards following the finalisation of this report. The value included in the single total figure of remuneration is based on the estimated vesting outturn and the value of the vested shares calculated by reference to the three month average share price up to 31 December 2019 (being £5.98) less the per share exercise price (6 3/7 pence).

	Shares subject to award	Vesting percentage[1]	Vested shares	Value
Tom Crawford	53,287	75.5%	40,231	£237,995
Philip Wood	46,485	75.5%	35,096	£207,617

1 The awards will vest subject to continued employment and performance based on TSR and Earnings per Share ("EPS") as follows:

- 50% of the awards will vest by reference to the Company's TSR performance relative to the constituents of the FTSE SmallCap (excluding investment trusts); and
- 50% of the awards will vest by reference to the Company's EPS growth over the performance period,

Each award is also subject to a further performance condition that the extent of vesting reflects the overall financial performance of the Company over the performance period. The Company's TSR over the period was 253%, which was significantly in excess of the upper quartile of FTSE SmallCap constituents such that the TSR element of the awards vested in full. The EPS element of the award required compound annual growth in EPS of 22% for the threshold vesting (25% of the award) rising to full vesting for compound annual growth in EPS of 25%.

These performance conditions were set in 2017, when the Group was comprised of both the Aptitude Software and Microgen Financial Systems businesses. Microgen Banking Systems (a banking payments business, which in 2017 was part of the Microgen Financial Systems business) was disposed of on 2 July 2018, while Microgen Financial Systems itself was sold on 28 June 2019. While shareholders benefited directly from this latter disposal by way of the associated return of capital of £46.4 million, it clearly reduced subsequent levels of profit and EPS. The Remuneration Committee therefore agreed that it would be appropriate for the EPS calculation to reflect its best estimates of the likely operating outturn for these businesses, had they remained part of the Group for the entire performance period (as envisaged at the time the conditions were set). Various alternative adjustments were considered and rejected (including, for example, stripping out both disposed of businesses for the whole performance period, which would have resulted in a higher vesting percentage). Accordingly, 51% of the EPS element of the awards will vest.

The Committee also considered that the overall vesting level of 75.5% reflected the financial performance of the Company over the performance period. The awards are subject to a further two year holding period such that the participants are unable to acquire the shares until the end of this period.

The following table sets out the amount of the value attributable to the share price at the grant of the awards and the amount that is attributable to the growth in the share price.

		Total value	Value attributable to share price at grant[1]	Value attributable to share price at vesting[2]	Value attributable to dividends paid over the period from grant to vesting
2016 PSP award	Tom Crawford	£1,213,367	£406,008	£807,359	Nil
	Phillip Wood	£1,068,917	£357,673	£711,244	Nil
2017 PSP award	Tom Crawford	£237,995	£150,291	£87,704	Nil
	Philip Wood	£207,617	£131,108	£76,509	Nil

1 The share price on the respective grant dates was:
2016 PSP award - £1.93
2017 PSP award - £3.80

2 The share price on the respective vesting dates was:
2016 PSP award - £5.64
2017 PSP award - £5.98 (based on the three month average share price over the final three months of the 2019 financial year)

Share awards granted during the year (audited)

On 28 October 2019 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 200% of salary and the awards granted to Philip Wood were based upon 150% of salary. These salary multiples were agreed by the Remuneration Committee with regards to the exceptional circumstances relating to the promotions and increased responsibilities of these individuals and to ensure adequate succession planning in light of Tom Crawford's decision to step back from the Board of Directors in 2020. The current Remuneration Policy provides for a higher multiple of awards to be granted in exceptional circumstances such as these. No share options were granted to Tom Crawford during 2019.

Executive Director	Number of shares subject to award	Basis of award	Face value of award[1]	% of award vesting for threshold performance
Jeremy Suddards	85,179	200% of salary	£500,000	25%
Philip Wood	62,606	150% of salary	£367,500	25%

1 Based on a share price of £5.87 being the average of the mid-market closing share price on the three days prior to the date of grant.

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

(a) as regards 50% of the shares subject to the options, the annual compound growth rate in the Company's Earnings Per Share (EPS) measured over the period of three financial years commencing on 1 January 2019, as follows:

Percentage of the options subject to the EPS performance condition that vests	Annual compound growth in EPS
0%	Less than 19%
25%	19%
Determined on a straight-line basis between 25% and 100%	Between 19% and 23%
100%	Equal to or greater than 23%

(b) as regards the other 50% of the shares subject to the options, the Company's Total Shareholder Return ('TSR') measured over the period of three financial years commencing on 1 January 2019, 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

For these purposes, the Company's TSR will be calculated by reference to the average net return index for the Company's shares over each weekday (excluding Saturdays and Sundays) during:

- the one-month period ending on the day before the start of the three-year performance period; and
- the one-month period ending on the last day of the performance period.

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.

Termination payments and payments to past Directors (audited)

Tom Crawford resigned from the Board on 17January 2020, but continues to be an employee of the Group on a part-time basis. As he remained as a Director for the duration of the year ended 31 December 2019 there was no impact on the remuneration that he received in respect of that year. Tom did not receive a termination payment, nor did he receive any bonus payment in respect of 2020.

In respect of the period 1 January 2020 to 17 January 2020, Tom received a pro-rated amount of the basic salary, pension contribution and taxable benefits detailed on page 49.

Tom did not receive any new share options during 2019, but he retains his existing share options, which will be subject to their original vesting dates and performance conditions, as detailed on page 60.

Implementation of Remuneration Policy for 2020

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 49, the salaries of Jeremy Suddards and Philip Wood were increased during 2019 to reflect their enhanced roles and to ensure effective succession planning ahead of Tom Crawford stepping down from the Board. The last salary increase received by Tom Crawford was on 1 January 2019.

No further increases were given on 1 January 2020, however, these will be kept under periodic review by the Remuneration Committee throughout 2020.

Executive Directors	Basic salary as at 31 December 2019	Basic salary from 1 January 2020	Percentage Increase on 1 January 2020
Tom Crawford[1]	£251,750	£251,750	0%
Philip Wood[2]	£245,000	£245,000	0%
Jeremy Suddards[3]	£250,000	£250,000	0%

1 Resigned on 17 January 2020.
2 From 1 January 2019 to 28 June 2019 Philip Wood received a salary supplement of £2,000 per month in respect of his interim appointment as Acting Chief Executive Officer of Microgen Financial Systems.
3 Appointed to the Board on 1 September 2019.

Management Bonus Scheme

Subject to shareholder approval, it is proposed that the maximum bonus opportunity for Executive Directors in 2020 will be increased from 100% to 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 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 2019 bonus outturn on pages 50 and 51.

Bonus deferral

The Company's 2020 Directors' Remuneration Policy includes annual bonus deferral such that 20% of any bonus earned will be deferred into shares for a period of two years. An additional payment may also be made in shares to reflect the value of any dividends paid during the two year deferral period.

The Board intends to introduce a Deferred Bonus Plan in connection with these new bonus deferral arrangements, subject to shareholder approval at the Annual General Meeting to be held on 28 April 2020.

Long-term incentives

Awards under the PSP will be granted to Executive Directors in 2020. Subject to shareholder approval of the updated Remuneration Policy, awards may be granted up to a maximum level of 125% of salary. However, there is no current intention to grant awards in excess of 100% of salary in respect of the year ended 31 December 2020. Performance measures will be based on EPS and TSR as with the awards granted in 2019, with the measures again weighted 50:50. As with the awards granted in 2019, the TSR performance measures 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.

Directors' Remuneration **Report**

The EPS performance targets will be determined before the awards are granted and disclosed both at grant and in the 2020 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.

Non-Executive Director fees

With effect from 1 January 2020, the fees payable to Non-Executive Directors have increased as follows:

	Fee at 1 January 2019 £	Fee at 1 January 2020 £
Basic Non-Executive Director Fee	45,000	47,250
Audit Committee Chair Fee	8,000	8,400
Remuneration Committee Chair Fee	7,000	7,350
Senior Independent Director Fee	5,400	5,670

With effect from 1 January 2020 the fee paid to Ivan Martin, Non-Executive Chairman, increased from £139,400 to £146,370, an increase of 5%.

The Board of Directors met without the Non-Executive Directors present to review the Non-Executive Director and Non-Executive Chairman fees. Taking into consideration the increases awarded to the wider workforce during 2019, it was agreed that 5% was an appropriate increase as at 1 January 2020. However, it was also noted that the level of Non-Executive Director fees had not been increased in proportion to the increased size and complexity of the Group in recent years. The Board has therefore agreed that, subject to continued growth, these fees will be further benchmarked against current industry levels during 2020 to ensure that a high calibre of Non-Executive Directors can be retained and attracted.

During 2020 the Board will also consider the implementation of a fee for Chairmanship of the Nomination Committee.

Percentage change in Executive Directors' remuneration

The table below shows the percentage change in Executive Directors' remuneration from the prior year compared to the average percentage change in remuneration for all other employees. For the purposes of this disclosure, remuneration comprises salary, benefits (excluding pension) and variable pay paid in the year only.

	Tom Crawford	Philip Wood	Jeremy Suddards[3]	Other employees[1]
Salary	0%	11.6%	–	7%
Taxable benefits	15%	17%	–	8%
Single-year variable[2]	n/a	100%	n/a	(45%)

1 Based on the United Kingdom employees only as the most appropriate comparator group. Excludes Microgen Financial Systems employees that left the Group on 28 June 2019.
2 Only Philip Wood earned an Executive bonus for the year ended 31 December 2019. No bonus was payable to Philip Wood in 2018.
3 Increase since date of appointment to the Board on 1 September 2019.

The level of salary increase awarded to Philip Wood during 2019 reflected the particular circumstances relating to promotions and succession planning, as described on page 49.

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 2018 to the financial year ended 31 December 2019, based upon continuing operations.

	% increase	2019 £000	2018 £000
Return to shareholders in year[1]	(2%)	**3,859**	3,928
Employee remuneration[2]	13%	**32,427**	28,076

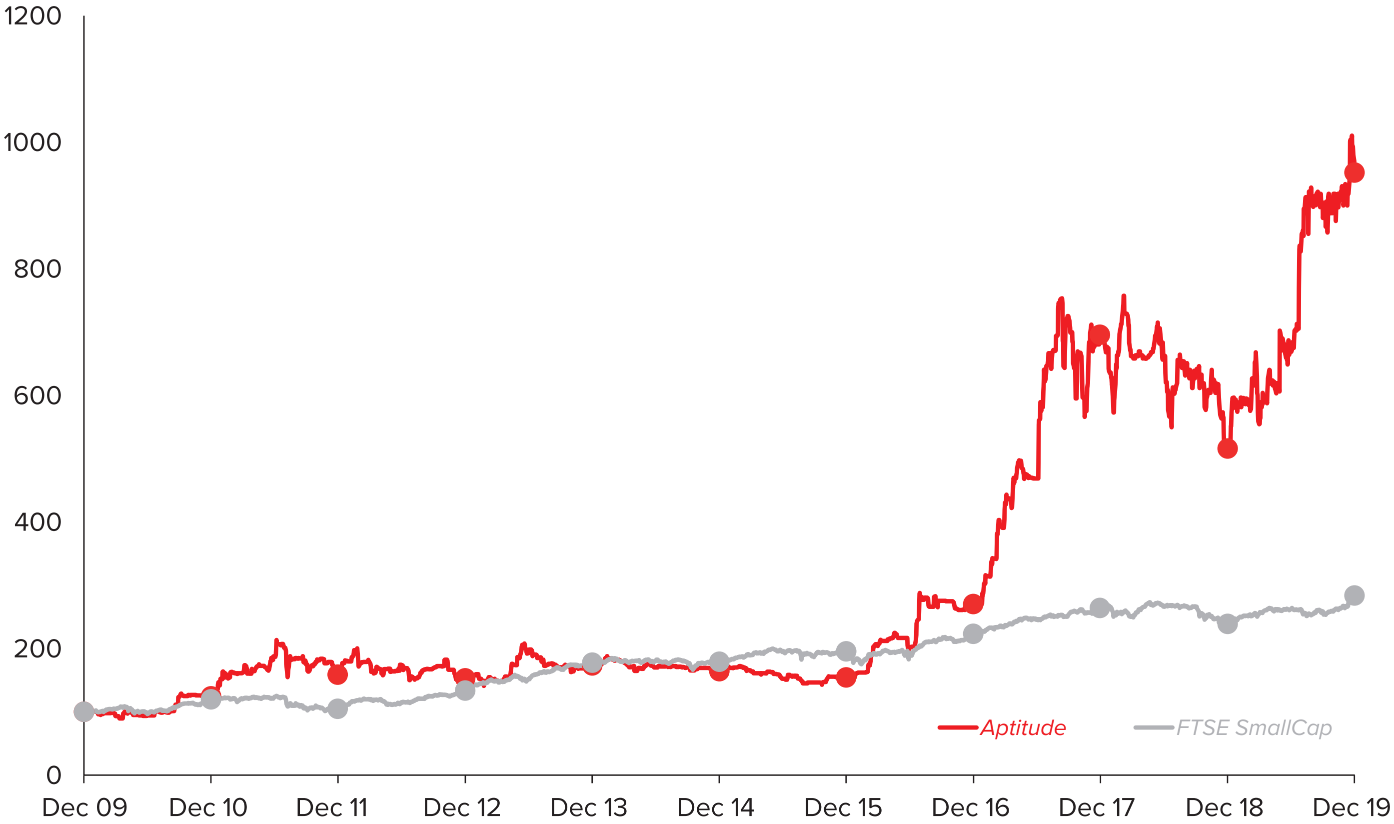
1 Excludes the return of capital in connection with the disposal of Microgen Financial Systems during 2019. The percentage increase from 2018 to 2019 including the return of capital to shareholders was 92%.

2 Amounts exclude employee remuneration costs in respect of the Microgen Financial Systems business which was disposed of on 28 June 2019 and presented as a discontinued operation.

Comparison of Company performance

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Smaller companies Index for the ten years ended 31 December 2019. The Committee considers that the FTSE Smaller companies Index is the most appropriate comparison across the period given the similarities between the Company and the companies forming this index.

Value of £100 invested on 31 December 2009



Directors' Remuneration Report

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 2010 - 2019 (inclusive).

Year		Total Remuneration	Bonus Award as a percentage of maximum opportunity	Long term incentives vesting as a percentage of maximum opportunity
2019	Tom Crawford (Chief Executive Officer, Aptitude Software Group plc – resigned 17 January 2020)	£1,718,226[1]	0.00%	100.00%/75.50%
2018	Simon Baines (Chief Executive Officer, Microgen Financial Systems)[7]	£776,610[2]	0.00%	100.00%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£858,130[2]	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[3]	50.00%	98.53%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£1,269,113[4]	92.50%	98.53%
2015	Martyn Ratcliffe (Executive Chairman)[5]	£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
2012	Martyn Ratcliffe (Executive Chairman)	£205,000	n/a	n/a
2011	Martyn Ratcliffe (Executive Chairman)	£1,096,498[6]	n/a	100.00%
2010	Martyn Ratcliffe (Executive Chairman)	£252,296	n/a	n/a

1 £1,451,362 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2016 Performance Share Plan. See page 52 for further information. The PSP awards granted in 2016 vested at 100%. The PSP awards granted in 2017 are expected to vest at a rate of 75.5%.
2 £601,607 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2006 Performance Share Plan.
3 £852,241 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2006 Performance Share Plan.
4 £852,241 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2006 Performance Share Plan.
5 Martyn Ratcliffe was Executive Chairman in 2016 until his retirement on 4 March 2016.
6 £871,700 of this amount relates to the vesting, in terms of performance, of awards under the Group's share option schemes.
7 Simon Baines stepped down from the Board with effect from 29 October 2018 and in the table above his remuneration is stated to that date.

Directors' shareholdings and shareholding requirement (audited)

The interests of those persons who served as Directors during 2019 and their families in the ordinary shares of the Company as at 31 December 2019 (or, if earlier, the date of their cessation of employment) were as follows:

	Ordinary shares at 31 December 2019[1]	Ordinary shares at 31 December 2018
Ivan Martin	**175,000**	200,000
Philip Wood	**196,875**	200,000
Peter Whiting	**16,322**	18,666
Barbara Moorhouse	**–**	–
Jeremy Suddards[2]	**–**	–
Tom Crawford[3]	**332,500**	380,000

1 All reductions in shareholdings from 2018 to 2019 are due to the share consolidation on 24 September 2019, however Philip Wood increased his holding on 6 August 2019 to 225,000 prior to the share consolidation.
2 Appointed on 1 September 2019.
3 Resigned on 17 January 2020.

There have been no changes since 31 December 2019 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.

For the year ended 31 December 2019, Executive Directors are required to retain half of any shares acquired on the exercise of options under the Company's share plans until such time as their shareholding has a market value equal to 100% of salary. On each occasion that any Executive Director exercises options under the Company's share plans, the value of their shareholding will be assessed at that point. If the value of his or her shareholding (based on the closing mid-market share price at that date) is not equal to or higher than his or her base salary on that date, then the Executive Director will be required to retain such of the shares arising from the exercise of the options (but not exceeding 50% of the shares arising) as are necessary to increase the value of his or her shareholding to equal his or her base salary on that date.

Under the proposed new Remuneration Policy which will be subject to shareholder approval at the Annual General Meeting, a new shareholding guideline for Executive Directors will be introduced of 200% of salary, to be achieved over a period of three years following appointment. Details of this can be found on page 35.

Directors' interests under Company share plans (audited)

The table below shows the interests of each Director who served during 2019 as at 31 December 2019 in the Company's share plans.

Director	Grant	Shares subject to award as at 1 January 2019 (or date of appointment if later)	Granted in 2019	Exercised in 2019	Lapsed in 2019	Shares subject to awards as at 31 December 2019	Status
Jeremy Suddards (appointed 1 September 2019)	2018	78,909	–	–	–	78,909	Unvested, subject to performance conditions
	2019[6]	–	85,179	–	–	85,179	Unvested, subject to performance conditions
		78,909	**85,179**	**–**	**–**	**164,088**	
Philip Wood	2013[1]	172,419	–	(172,419)	–	–	Exercised
	2015[2]	150,000	–	(150,000)	–	–	Exercised
	2016[3]	191,710	–	(191,710)	–	–	Exercised
	2017[4]	46,485	–	–	–	46,485	Unvested, subject to performance conditions
	2018[5]	49,799	–	–	–	49,799	Unvested, subject to performance conditions
	2019[6]	–	62,606	–	–	62,606	Unvested subject to performance conditions
		610,413	**62,606**	**(514,129)**	**–**	**158,890**	
Tom Crawford (resigned 17 January 2020)	2013[1]	172,419	–	(172,419)	–	–	Exercised
	2015[2]	150,000	–	(150,000)	–	–	Exercised
	2016[3]	217,617	–	(217,617)	–	–	Exercised
	2017[4]	53,287	–	–	–	53,287	Unvested, subject to performance conditions
	2018[5]	57,087	–	–	–	57,087	Unvested, subject to performance conditions
	2019[6]	–	–	–	–	–	
		650,410	**–**	**(540,036)**	**–**	**110,374**	

1 The awards granted in 2013 vested in 2016. 65% of the vested shares became capable of exercise on 20 November 2016 and the balance became capable of exercise in November 2018.
2 The awards granted in 2015 vested on 21 October 2018 and were exercised on 6 August 2019.
3 The awards granted in 2016 vested and were exercised on 6 August 2019.
4 The awards granted in 2017 are subject to a performance condition described on page 49 of the 2017 Annual Report and Accounts
5 The awards granted in 2018 are subject to a performance condition described on page 50 of the 2018 Annual Report and Accounts.
6 The awards granted in 2019 are subject to a performance condition described on pages 53 and 54.

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 2019, excluding any fees incurred in connection with the disposal of the Microgen Financial Systems business, were £8,150. After careful consideration the Committee is satisfied that the advice provided by Deloitte LLP is independent.

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.

Statement of Shareholder voting

At the Annual General Meeting of the Company on 24 April 2017 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)	42,630,950	95.70%
Against	1,914,484	4.30%
Total votes cast (excluding withheld votes)	**44,545,434**	**100.00%**
Votes withheld	13,516	
Total votes cast (including withheld votes)	**44,558,950**	

At the Annual General Meeting of the Company on 21 May 2019, the Directors' Remuneration Report for the year ended 31 December 2018 was approved by shareholders as follows:

Approval of the Directors' Remuneration Report for the year ended 31 December 2018	Total number of votes	% of votes cast
For (including discretionary)	47,293,925	98.18%
Against	876,116	1.82%
Total votes cast (excluding withheld votes)	**48,170,041**	**100.00%**
Votes withheld	22,536	
Total votes cast (including withheld votes)	**48,192,577**	

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 10 March 2020 and signed on its behalf by:

Peter Whiting
Chair of the Remuneration Committee

10 March 2020

Independent Auditor's Report

to the members of Aptitude Software Group plc (formerly Microgen plc)

Our opinion on the financial statements is unmodified

We have audited the financial statements of Aptitude Software Group plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated Statement of Changes in Shareholders' Equity, the Company Statement of Changes in Shareholders' Equity, the Consolidated and Company Statements of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the 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 Company's affairs as at 31 December 2019 and of the Group's profit and the Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, 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.

The impact of uncertainties arising from the United Kingdom exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of the United Kingdom exiting the European Union. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's and Company's future prospects and performance.

The United Kingdom exiting the European Union is one of the most significant economic events for the United Kingdom, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's and the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group and Company associated with a course of action such as the United Kingdom exiting the European Union.

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 14 and 15 that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated;

- the Directors' confirmation, set out on page 13 of the annual report that they have completed a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement, set out on page 13 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern and the prospects of the group required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, set out on page 16 of the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Grant Thornton

Overview of our audit approach

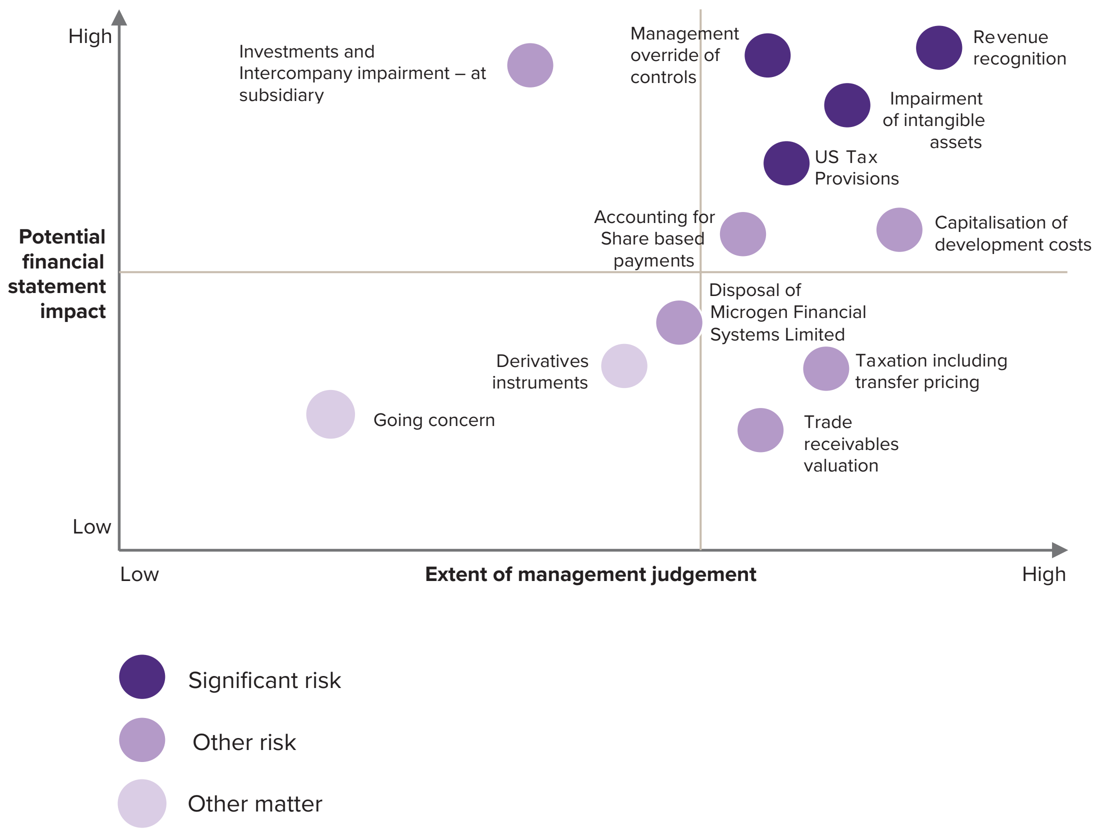
- Overall Group materiality: £557,000 (2018: £652,000) which represents 4.9% of the Group's profit before tax, from continuing and discontinued operations, adjusted for the gain on disposal of Microgen Financial Systems Limited and its subsidiary entities;
- The key audit matter identified was the risk of fraud in revenue recognition (including contract accounting, accrued and deferred income).
- We performed full scope audit procedures on the financial information of four companies and specific audit procedures over certain material balances and transactions of five further companies to gain sufficient appropriate audit evidences at both divisional and Group levels. We performed analytical procedures on the financial information on the remaining thirteen companies in the Group during the year.

Independent Auditor's Report

to the members of Aptitude Software Group plc (formerly Microgen plc)

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



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

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk of fraud in revenue recognition (including contract accounting, accrued and deferred income) The Group has recognised £59.7 million from continuing operations (2018: £52.3 million) of revenue in the year and £8.1m from discontinued operations (2018: £18.0m). The Group's key revenue recognition policies are set out on pages 78 to 80 to the financial statements. The risk relates to the key judgements required in applying these policies. Determining the amount of revenue to be recognised requires management to make significant judgements and estimates. These judgements made by management include; • the assessment of software based activity (license and maintenance) revenue, as a single performance obligation; • the treatment of consultancy services revenue as a separate performance obligation; • the recognition of software based activity (license and maintenance) revenue over time, straight-line over the contractual term; • the assessment of the challenges and risks during the implementation period on each contract of software based activity and the recognition of variable consideration capped to the invoiced value until the product is deployed into a live client environment (manual IFRS 15 adjustments); • the provision made by management for additional time and material costs of consultancy services revenue, which could be incurred subsequent to the year end to deliver and complete the service to client expectations. On software based activity we therefore identified revenue recognition on new contracts signed in the year, along with those with manual adjustments at the year end, and the resulting judgements made by management to have a significant risk of fraud. We considered this risk to be specific to the completeness, accuracy and occurrence assertions. On consultancy services, the Group records sales based on timesheets and signed statements of work, additionally, therefore a significant risk of fraud in revenue recognition, has been identified around occurrence of managed and general consultancy services revenue recognised in the period. Additionally, a significant risk of fraud has been identified in the provision for additional time and materials cost of implementation made at year end and the judgements made by management. We considered this risk to be specific to the completeness assertion. As a result, the risk of fraud in revenue recognition in these areas has been identified as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing the accounting policy and disclosures for compliance with IFRSs as adopted by the EU; • Assessing the design effectiveness of controls through walkthrough procedures in respect of revenue recognition and checks performed to ensure the correct revenue is recognised; • Obtaining management's assessment and corroborative evidences to support the key judgments made in the recognition of revenue; • Within the software based activity revenue stream selecting contracts by reference to materiality, other risk factors, and contracts that were signed in the year. This includes those contracts where management may have encountered unexpected complexities in delivering the project through discussions with project managers and other senior management; and tested the judgements on those corroborating to supporting documentation; • Performing a test of detail across the remaining software-based activity revenue, accrued and deferred income balances; • Within the consultancy services revenue selecting and testing key operating controls, over the recognition of revenue recognised on a time and materials basis, including timesheet authorisation, invoice approval, and monthly reconciliation checks performed by management to ensure the correct revenue is recognised in line with the revenue recognition policy; • Performing a test of detail by agreeing a sample of consultancy services revenue on to underlying signed statements of work, contracted hourly rates and timesheets to ensure appropriateness of the revenue recognition; and • Robustly challenging management's assessment of the year end provision for additional time and material cost which would be incurred to deliver and complete the service to customer satisfaction. The Group's accounting policy on revenue recognition is shown in 'Notes to the Consolidated Financial Statements on pages 78 to 80 and related disclosures are included in note 1. The Audit Committee identified revenue recognition as a primary area of judgement in its report on page 29 where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Based on our audit work, we did not identify any material misstatement in the revenue recognised in the year to 31 December 2019 or in the accrued or deferred income balances as at that date.

Independent Auditor's Report

to the members of Aptitude Software Group plc (formerly Microgen plc)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Company
Financial statements as a whole	Overall Group materiality: £557,000 (2018: £652,000), based on 4.9% of profit before tax, adjusted for the gain on disposal of Microgen Financial Systems Limited. This benchmark is considered the most appropriate because this is a key measure used by the directors to report to investors on the financial performance of the Group. Adjusting for the gain on disposal of Microgen Financial Systems Limited in full normalises earnings for the year. Materiality for the current year is lower than the level determined for the year ended 31 December 2018 to reflect the lower profit before tax from continuing and discontinued operations, after adjusting for the gain on disposal, of £11.4 million (2018: £13.1 million).	Overall Company's materiality: £461,000 (2018: £300,000), which is 0.8% of total assets, reduced for an allocation of component materiality as part of the Group audit. This benchmark is considered the most appropriate because its principal activity is that of a holding Company. Materiality for the current year is higher than the level that was determined for the year ended 31 December 2018 to reflect allocation of component materiality as part of the Group audit.
Performance materiality used to drive the extent of our testing	Based on our risk assessment, including the Group's overall control environment, we determined a performance materiality of 70% of the financial statements materiality.	Based on our risk assessment, including the Company's overall control environment, we determined a performance materiality of 70% of the financial statement materiality.
Specific materiality	We determined a lower level of materiality of £28,750 for certain specific areas being Directors' remuneration and related party transactions, in line with our calculated trivial threshold for Group.	We determined a lower level of materiality of £28,750 for certain specific areas being Directors' remuneration and related party transactions, in line with our calculated clearly trivial threshold for Group.
Communication of misstatements to the audit committee	All misstatements above £28,750 (2018: £32,600) have been reported to the Audit Committee.	All misstatements above £23,000 (2018: £30,000) have been reported to the Audit Committee.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile. In order to address the risks described above as identified during our planning procedures, we performed a full scope audit of the financial statements of the Company, Aptitude Software Group plc taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured such that the significant majority of the business was comprised of two operating businesses, being Aptitude Software and Microgen Financial Systems. The Group disposed of Microgen Financial Systems on 28 June 2019. In the year the Group financial statements are a consolidation of twenty two reporting units, comprising the Group's operating subsidiaries, overseas branches and centralised Group functions, including those entities disposed of in the period. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units.

The reporting units of the Group were evaluated by the Group engagement team based on a measure of materiality considered as a percentage of total Group assets, revenues and operating profit before taxes, to assess the significance of the component and to determine the planned audit response. For those components that we determined to be significant components, either a full scope approach or specific procedures in relation to specific balances and transactions were carried out. This approach was determined based on their relative materiality to the Group and our assessment of audit risk.

The Group's companies vary significantly in size. Of the Group's twenty two reporting units, we identified four which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. Specific audit procedures over certain balances and transactions were performed on a further five companies, to give appropriate coverage of all material balances at reporting and Company level. Together, the reporting units subject to audit procedures, being full scope and specific procedures, were responsible for 93% of the Group's revenues, 79% of the Group's operating profit before exceptional items, and 94% of Group's total assets.

We obtained reporting on specific financial statement line items from the component auditor in Poland with regards to staff payroll costs, fixed assets and accruals balances in Aptitude Software (Poland) sp. z o.o. We have had regular discussions with the component audit team along with a review of their audit working papers. This is as well as visiting and holding discussions with the component auditor, Grant Thornton Poland, and local management in Poland.

Audit work on the period to disposal of Microgen Financial Systems was conducted in advance of the year end with finalisation of audit procedures post year end. For significant components requiring a full scope approach, an interim visit was conducted before the year end to undertake substantive procedures in advance of the final visit and to evaluate the Group's internal control environment.

We sought wherever possible, to rely on the effectiveness of the Group's internal controls. We then undertook substantive testing on significant transactions and material account balances, including the procedures outlined above in relation to the key risks. For the components where specific procedures were carried out a similar testing strategy was applied, focused on the significant transactions and material account balances.

We performed analytical procedures over the remaining thirteen reporting units. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the Group and sector in which they operate. We determined that the following laws and regulations were most significant: IFRSs, Companies Act 2006, UK Corporate Governance Code and taxation laws including the application of local sales and use taxes and overseas permanent establishments.
- We understood how the Company and the Group is complying with those legal and regulatory frameworks by, making inquiries to the management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our inquiries through our review of Board minutes and papers provided to the Audit Committee. We identified whether there is a culture of honesty and ethical behaviour and whether there is a strong emphasis of prevention and deterrence of fraud.
- We assessed the susceptibility of the Company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team and component auditors included:
    - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
    - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
    - testing the operating effectiveness of controls that prevent and detect fraud within time and materials revenue;
    - assessing matters reported through the Group's whistleblowing programme and the results of management's investigation of such matters;
    - challenging assumptions and judgments made by management in its significant accounting estimates;
    - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;

    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- We communicated relevant laws and regulations identified at Group level to the component auditor and both the Group engagement team and component auditors performed the audit procedures as above. Any instances of non-compliance with laws and regulations were communicated by/to component and considered in our audit approach, if applicable.
- As a result of performing the above, we identified risk of fraud in revenue recognition as a key audit matter. The key audit matter section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial results as set out on pages 71 to 129, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 13 – the Directors consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 28 to 30 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 26 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

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 under the Companies Act 2006

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

- the strategic report or the Directors' report; 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.

Matters on which we are required to report by exception

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 13, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board in 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.

The period of total uninterrupted engagements of the firm is less than one year.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Independent Auditor's Report

to the members of Aptitude Software Group plc (formerly Microgen plc)

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.

Rebecca Eagle
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

10 March 2020

Consolidated
Income Statement
for the year ended 31 December 2019

	Note	Year ended 31 Dec 2019 Before non-underlying items	Year ended 31 Dec 2019 Non-underlying items	Year ended 31 Dec 2019 Total	Year ended 31 Dec 2018 Restated* Before non-underlying items	Year ended 31 Dec 2018 Restated* Non-underlying items	Year ended 31 Dec 2018 Restated* Total
		£000	£000	**£000**	£000	£000	**£000**
Continuing operations							
Revenue	1, 2	59,652	–	**59,652**	52,274	–	52,274
Operating costs	3	(49,150)	(1,559)	**(50,709)**	(43,499)	(1,109)	(44,608)
Operating profit	3	10,502	(1,559)	**8,943**	8,775	(1,109)	7,666
Finance income	5	158	–	**158**	46	–	46
Finance costs	5	(326)	–	**(326)**	(449)	–	(449)
Net finance costs		(168)	–	**(168)**	(403)	–	(403)
Profit before income tax		10,334	(1,559)	**8,775**	8,372	(1,109)	7,263
Income tax expense	6	(2,403)	370	**(2,033)**	(2,092)	245	(1,847)
Profit from continuing operations		7,931	(1,189)	**6,742**	6,280	(864)	5,416
Profit from discontinued operations	28	2,549	19,881	**22,430**	5,956	2,421	8,377
Profit for the year		10,480	18,692	**29,172**	12,236	1,557	13,793
Earnings per share from continuing operations							
Basic	7			**11.2p**			8.9p
Diluted	7			**11.0p**			8.5p
Earnings per share							
Basic	7			**48.4p**			22.6p
Diluted	7			**47.7p**			21.5p

The accounting policies and notes on pages 77 to 129 are an integral part of these consolidated financial statements.

* Amounts displayed within the prior periods have been restated for the disposal of Microgen Financial Systems Limited on 28 June 2019 which met the criteria of being presented as a discontinued operation, see note 28 for details.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	Group Year ended 31 Dec 2019 £000	Group Year ended 31 Dec 2018 Restated* £000
Profit for the year		**29,172**	13,793
Other comprehensive (expense)/income			
Items that will or may be reclassified to profit or loss:			
Fair value loss on hedging instruments	25	**(186)**	(14)
Currency translation difference		**(415)**	(381)
Other comprehensive income from discontinued operations	28	**22**	11
Other comprehensive expense for the year, net of tax		**(579)**	(384)
Total comprehensive income for the year		**28,593**	13,409
Total comprehensive income for the year arising from:			
Continuing operations		**6,141**	5,021
Discontinued operations		**22,452**	8,388
		28,593	13,409

The accounting policies and notes on pages 77 to 129 are an integral part of these consolidated financial statements.

* Amounts displayed within the prior periods have been restated for the disposal of Microgen Financial Systems Limited on 28 June 2019 which met the criteria of being presented as a discontinued operation, see note 28 for details.

Balance
Sheets
for the year ended 31 December 2019

	Note	**Group As at 31 Dec 2019 £000**	Group As at 31 Dec 2018 £000	**Company As at 31 Dec 2019 £000**	Company As at 31 Dec 2018 £000
ASSETS					
Non–current assets					
Property, plant and equipment	9	**3,207**	5,417	**122**	206
Goodwill	10	**23,787**	48,793	**–**	–
Intangible assets	11	**6,486**	14,186	**–**	–
Investments in subsidiaries	12	**–**	–	**27,943**	44,194
Other long–term assets	13	**1,746**	1,581	**–**	–
Income tax assets	14	**944**	–	**503**	–
Deferred tax assets	15	**1,198**	1,137	**798**	132
		37,368	71,114	**29,366**	44,532
Current assets					
Trade and other receivables	16	**9,659**	14,675	**306**	5,338
Financial assets – derivative financial instruments	17	**4**	114	**–**	48
Current income tax assets	14	**1,155**	1,535	**359**	2,604
Cash and cash equivalents	18	**32,965**	29,186	**28,373**	23,815
		43,783	45,510	**29,038**	31,805
Total assets		**81,151**	116,624	**58,404**	76,337
LIABILITIES					
Current liabilities					
Financial liabilities					
– borrowings	19	**–**	(2,040)	**–**	(2,040)
– derivative financial instruments	17	**(120)**	(12)	**–**	–
Trade and other payables	20	**(30,122)**	(35,484)	**(4,373)**	(4,567)
Capital lease obligations	21	**(835)**	(1,109)	**–**	–
Current income tax liabilities		**(485)**	(489)	**–**	–
Provisions	22	**(38)**	–	**–**	–
		(31,600)	(39,134)	**(4,373)**	(6,607)
Net current assets		**12,183**	6,376	**24,665**	25,198
Non–current liabilities					
Financial liabilities – borrowings	19	**–**	(5,818)	**–**	(5,818)
Capital lease obligations	21	**(1,288)**	(2,846)	**–**	–
Provisions	22	**(337)**	(424)	**–**	–
Deferred tax liabilities	15	**(1,502)**	(3,582)	**–**	–
		(3,127)	(12,670)	**–**	(5,818)
NET ASSETS		**46,424**	64,820	**54,031**	63,912
SHAREHOLDERS' EQUITY					
Share capital	23	**4,128**	3,958	**4,128**	3,958
Share premium account	24	**7,660**	6,488	**7,660**	6,488
Capital redemption reserve		**12,372**	12,372	**12,372**	12,372
Other reserves	25	**34,079**	34,265	**17,398**	17,404
(Accumulated losses)/retained earnings	26	**(11,149)**	8,010	**12,473**	23,690
Foreign currency translation reserve		**(666)**	(273)	**–**	–
TOTAL EQUITY		**46,424**	64,820	**54,031**	63,912

The accounting policies and notes on pages 77 to 129 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 financial statements on pages 71 to 129 were authorised for issue by the Board of Directors on 10 March 2020 and were signed on its behalf by:

Ivan Martin
Director

Philip Wood
Director

Company Registered Number: 1602662

Consolidated Statement
of Changes in Shareholders' Equity
for the year ended 31 December 2019

	Note	Share capital	Share premium account	(Accumulated losses)/ retained earnings	Foreign currency translation reserve	Capital redemption reserve	Other reserves	**Total equity**
				Attributable to owners of the Parent				
		£000	£000	£000	£000	£000	£000	**£000**
Group								
Balance at 1 January 2018		**3,939**	**6,449**	**(2,712)**	**97**	**12,372**	**34,279**	**54,424**
Profit for the year	26	–	–	13,793	–	–	–	**13,793**
Cash flow hedges								
– net fair value losses in the year	25	–	–	–	–	–	(14)	**(14)**
Exchange rate adjustments		–	–	–	(370)	–	–	**(370)**
Total comprehensive income for the year		–	–	13,793	(370)	–	(14)	**13,409**
Shares issued under share option schemes	23-24	19	39	–	–	–	–	**58**
Share options – value of employee service	26	–	–	1,074	–	–	–	**1,074**
Deferred tax on financial instruments	15	–	–	(17)	–	–	–	**(17)**
Deferred tax on share options	15	–	–	(331)	–	–	–	**(331)**
Corporation tax on share options	26	–	–	131	–	–	–	**131**
Dividends to equity holders of the company	8	–	–	(3,928)	–	–	–	**(3,928)**
Total Contributions by and distributions to owners of the company recognised directly in equity		19	39	(3,071)	–	–	–	**(3,013)**
Balance at 31 December 2018		**3,958**	**6,488**	**8,010**	**(273)**	**12,372**	**34,265**	**64,820**
Profit for the year	26	–	–	29,172	–	–	–	**29,172**
Cash flow hedges								
– net fair value losses in the year	25	–	–	–	–	–	(186)	**(186)**
Exchange rate adjustments		–	–	–	(393)	–	–	**(393)**
Total comprehensive income for the year		–	–	29,172	(393)	–	(186)	**28,593**
Shares issued under share option schemes	23-24	170	1,172	–	–	–	–	**1,342**
Share options – value of employee service	26	–	–	1,033	–	–	–	**1,033**
Return of value to shareholders	23	–	–	(46,420)	–	–	–	**(46,420)**
Expenses in relation to return of value to shareholders		–	–	(600)	–	–	–	**(600)**
Deferred tax on financial instruments	15	–	–	(40)	–	–	–	**(40)**
Deferred tax on share options	15	–	–	11	–	–	–	**11**
Corporation tax on share options	26	–	–	1,544	–	–	–	**1,544**
Dividends to equity holders of the company	8	–	–	(3,859)	–	–	–	**(3,859)**
Total Contributions by and distributions to owners of the company recognised directly in equity		170	1,172	(48,331)	–	–	–	**(46,989)**
Balance at 31 December 2019		**4,128**	**7,660**	**(11,149)**	**(666)**	**12,372**	**34,079**	**46,424**

The accounting policies and notes on pages 77 to 129 are an integral part of these consolidated financial statements.

Company Statement of Changes in Shareholders' Equity

for the year ended 31 December 2019

		Attributable to owners of the Company					
		Share Capital	Share premium account	Retained earnings	Capital redemption reserve	Other reserves	**Total equity**
		£000	£000	£000	£000	£000	**£000**
Company							
Balance at 1 January 2018		**3,939**	**6,449**	**14,605**	**12,372**	**17,386**	**54,751**
Profit for the year	26	–	–	11,949	–	–	**11,949**
Cash flow hedges							
– net fair value gains in the year	25	–	–	–	–	18	**18**
Total comprehensive income for the year		–	–	11,949	–	18	**11,967**
Shares issued under share option schemes	23-24	19	39	–	–	–	**58**
Share options – value of employee service	26	–	–	1,074	–	–	**1,074**
Deferred tax on financial instruments	15	–	–	9	–	–	**9**
Deferred tax on share options	15	–	–	(7)	–	–	**(7)**
Corporation tax on share options	26	–	–	(12)	–	–	**(12)**
Dividends to equity holders of the company	8	–	–	(3,928)	–	–	**(3,928)**
Total Contributions by and distributions to owners of the company recognised directly in equity		19	39	(2,864)	–	–	**(2,806)**
Balance at 31 December 2018		**3,958**	**6,488**	**23,690**	**12,372**	**17,404**	**63,912**
Profit for the year	26	–	–	**38,687**	–	–	**38,687**
Cash flow hedges							
– net fair value losses in the year	25	–	–	–	–	(6)	**(6)**
Total comprehensive income for the year		–	–	38,687	–	(6)	**38,681**
Shares issued under share option schemes	23-24	170	1,172	–	–	–	**1,342**
Share options – value of employee service	26	–	–	1,033	–	–	**1,033**
Return of value to shareholders	23	–	–	(46,420)	–	–	**(46,420)**
Expenses in relation to return of value to shareholders		–	–	(600)	–	–	**(600)**
Deferred tax on financial instruments	15	–	–	(8)	–	–	**(8)**
Deferred tax on share options	15	–	–	(1)	–	–	**(1)**
Corporation tax on share options	26	–	–	(49)	–	–	**(49)**
Dividends to equity holders of the company	8	–	–	(3,859)	–	–	**(3,859)**
Total Contributions by and distributions to owners of the company recognised directly in equity		170	1,172	(49,904)	–	–	**(48,562)**
Balance at 31 December 2019		**4,128**	**7,660**	**12,473**	**12,372**	**17,398**	**54,031**

The accounting policies and notes on pages 77 to 129 are an integral part of these consolidated financial statements.

Statements of Cash Flow

for the year ended 31 December 2019

	Note	Group Year ended 31 Dec 2019	Group Year ended 31 Dec 2018	Company Year ended 31 Dec 2019	Company Year ended 31 Dec 2018
		£000	£000	**£000**	£000
Cash flows from operating activities					
Cash generated from/(used in) operations	27	**18,420**	15,042	**(4,531)**	5,894
Interest paid		**(326)**	(440)	**(77)**	(227)
Income tax paid		**(2,077)**	(3,068)	**(135)**	(1,500)
Net cash flows generated from/(used in) operating activities		**16,017**	11,534	**(4,743)**	4,167
Cash flows from investing activities					
Dividend received		**–**	–	**13,000**	13,852
Purchase of property, plant and equipment, excluding right–of–use assets	9	**(828)**	(985)	**(43)**	(53)
Purchase of share capital in subsidiaries	12	**–**	–	**(4,306)**	–
Disposal of subsidiary, net of cash disposed	28-29	**47,152**	6,770	**51,411**	–
Interest received		**158**	47	**5**	5
Net cash generated from investing activities		**46,482**	5,832	**60,067**	13,804
Cash flows from financing activities					
Net proceeds from issuance of ordinary shares	24	**1,368**	58	**1,368**	58
Dividends paid to company's shareholders	8	**(3,859)**	(3,928)	**(3,859)**	(3,928)
Repayments of loan	19	**(8,000)**	(2,000)	**(8,000)**	(2,000)
Repayment of capital lease obligations	21	**(1,127)**	(1,314)	**–**	–
Return of value to shareholders	23	**(46,420)**	–	**(46,420)**	–
Expenses relating to return of value	26	**(600)**	–	**(600)**	–
Amounts borrowed from group undertakings	20	**–**	–	**6,745**	2,480
Net cash used in financing activities		**(58,638)**	(7,184)	**(50,766)**	(3,390)
Net increase in cash and cash equivalents		**3,861**	10,182	**4,558**	14,581
Cash, cash equivalents and bank overdrafts at beginning of year	18	**29,186**	19,137	**23,815**	9,234
Exchange rate losses on cash and cash equivalents		**(82)**	(133)	**–**	–
Cash and cash equivalents at end of year	18	**32,965**	29,186	**28,373**	23,815

The accounting policies and notes on pages 77 to 129 are an integral part of these consolidated financial statements.

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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 10 March 2020.

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 International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRS as adopted by the EU) and IFRS Interpretations Committee (formerly IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. 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 92 and 93.

Going concern

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 which show that the Group will have sufficient cash to operate within their existing bank facilities and to allow them to 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 consolidated financial statements.

Changes in accounting policy and disclosures

(a) New standards, interpretations and amendments effective from 1 January 2019

During the prior year the Group took the decision to early adopt the IFRS 16 '*Leases*' standard (effective for periods beginning on or after 1 January 2019) with an effective date of 1 January 2018.

There are no other new standards, amendments and interpretations which are effective for periods beginning on or after 1 January 2019, which had any impact on the Group's accounting policies and disclosures in these 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 2019 and which have not been adopted early, are expected to have a significant effect on the consolidated financial statements of the Group.

There are no new standards, and amendments to standards and interpretations which are effective for annual periods beginning after 1 January 2019, which have been adopted in these financial statements.

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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. Where this subsidiary represents a separate major line of business, the results will be presented as a discontinued operation, see accounting policy on page 81 for details.

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.

Revenue recognition

Revenue compromises the fair value of the consideration received or receivable for the sale of goods and services 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 which includes the Microgen Financial Systems business, presented as a discontinued operation up to the point of disposal:-

- software based activity relating to the Group's intellectual property (comprising software licences, maintenance, support, software subscription fees, funded development and related consultancy);
- managed services (comprising principally of solution management services); and
- general consultancy services.

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

Software based activity

Software licences

The Group licences its software on an Annual Licence Fee, Initial Licence Fee or Perpetual Licence Fee basis.

The Group assesses whether ongoing contractual obligations represent a performance obligation that is distinct from the licence. If not distinct the combined performance obligation is recognised over time. If the licence 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 the Group considers the continuing requirement to:-

- optimise functionality;
- optimise performance; and
- provide enhancements to ensure user regulatory compliance

If there is a combined performance obligation then the Group will determine for each contract the period over which significant modification and optimisation of software is required, or whether the requirement is on-going during the expected duration of the contract.

In determining the most appropriate method of recognising revenue over time, the Group has concluded that for Aptitude Software products the combined performance obligation will be recognised in line with development activity related to the relevant product over the period in which the enhancements are required by the particular user.

The transfer of the combined performance obligation is considered complete once this period of intense functionality enhancement activity has concluded at which point it diminishes to a consistent level of ongoing maintenance obligation. Where this is delivered through Annual Licence Fees, the amount will be recognised on a straight-line basis in the period covered by the invoice.

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 capped at the value of the invoice with this being assessed as the consideration during the period up to deployment.

Where the period of intense functionality enhancement is assessed as being greater than the initial term of the contract, the revenues recognised across the initial term are capped at the total value of the contract.

For Microgen 5Series, the leading product of the Microgen Financial Systems business disposed of on 28 June 2019, there was a continuing requirement to provide enhancements to ensure regulatory compliance and consequently the Annual Licence Fee received from clients was recognised on a straight-line basis in the period covered by the invoice.

For all other Microgen Financial Systems products, the Annual Licence Fees were recognised on a straight-line basis in the period covered by the invoice. This is due to the substance of the contract taking the form of a consistent level of ongoing maintenance being provided.

Software maintenance

Fees relating to the maintenance of the Group's software are recognised depending on the Group's assessment of whether this ongoing contractual maintenance represents a performance obligation that is distinct from the licence. If the licence is distinct, software maintenance fees are recognised in the period the services are provided, using a straight-line basis over the term of the maintenance agreement.

If, however, the licence is not distinct, the software maintenance fees form a combined performance obligation which is recognised over time in line with the development activity related to the relevant product over the period in which the enhancements are required by the particular user.

The transfer of the combined performance obligation is considered complete once this period of intense functionality enhancement activity has concluded at which point it diminishes to a consistent level of ongoing maintenance obligation. Where this is delivered through annual maintenance charges, the amount will be recognised on a straight line basis across the period the services are provided.

Software subscription fees

Software subscription fees relating to the Group's Software-as-a-Service offering are recognised in the same manner as Annual Licence Fees in which the Group assesses whether ongoing contractual obligations represent a performance obligation that is distinct from the licence. If not distinct the subscription fees are recognised over time. If the licence is distinct it is recognised separately from the other performance obligations at the time of the delivery of the licenced software.

The Group determines for each contract the period over which significant modification and optimisation of software is required with the most appropriate method being to recognise revenue in line with development activity related to the relevant product over the period in which the enhancements are required by the particular user. This period is considered complete once the activity reduces to a consistent level of ongoing maintenance at which point it is recognised on a straight-line basis in the period covered by the invoice.

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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 clients wish to accelerate product development the Group may undertake 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 client. The percentage completed is determined with reference to effort required to complete the development. Once the enhancement has been accepted by the client the deferred portion of the revenue is recognised.

Product specific consultancy

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. Time and materials consultancy is recognised in the period it is performed in. Fixed price or share 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.

Managed Services

Where the Microgen Financial Systems business provided application management services to a client for a third party software product or solution, revenue from these services was recognised as the services were performed.

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 period 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, following the disposal of the Microgen Financial Systems business the Group now operates only one segment, this being the Aptitude Software business. The chief operational decision makers for the segment are Jeremy Suddards (Chief Executive Officer) and Philip Wood (Deputy Chief Executive Office and Chief Financial 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 gain or loss on disposal of a Group subsidiary, post acquisition restructuring costs, the amortisation of acquired intangibles, the impact of share based payments on share options issued in 2013 and certain overseas tax fees.

Property, plant and equipment

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 84. 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.

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. 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.

Disposal of subsidiary

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised from this date. Where the subsidiary forms part of a cash generating unit, the amount of goodwill apportioned to the disposal is calculated based on the level of profits achieved over a set period prior to the date of sale compared with the profits generated within the cash generating unit to which the disposed entity is allocated. If the subsidiary being disposed of reflects a total cash generating unit, the amount of goodwill allocated is derecognised in full. The difference between the consideration received, net of directly attributable costs incurred and the carrying value of net assets or liabilities derecognised on the date of disposal is taken to the income statement.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. In line with IFRS 5.34, when an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

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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 client 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, does 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.

Client relationships

Client relationships are recognised only on acquisition. The fair value is derived based on discounted cash flows from estimated recurring revenue streams. 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.

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 in relation to options granted on 18 November 2013 (details can be found on page 97) is shown within non-underlying items. The vesting period and accompanying expense in respect of these options ended in 2018. The expense for options granted between 2015 and 2017 are 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.

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, subscriptions 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 of the continuing Group 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.

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.

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 substantially 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 involved 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 lives of the right-of-use asset is periodically reduced by impairment losses, if any, and 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 amortised cost using the effective interest method. 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 lease of machinery 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective rate.

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. Based on this assessment 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 other comprehensive income at that time remains in other comprehensive income 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 Continuing 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. Since April 2007 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 2019 was 6 months (2018: 5 months).

In addition, forward foreign currency contracts were also put in place from March 2017 to hedge a proportion of the Group's forecasted US dollar denominated service related revenue less US dollar denominated cost over the next 12 months. These have the effect of fixing the sterling amount of US dollars to be received in the future from US dollar denominated service revenue less US dollar denominated costs. The average remaining life of the forward contracts at 31 December 2019 was 1 month (2018: 4 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.

Continuing operations	**2019 £000**	2018 Restated* £000
Polish Zloty	**26**	18
US Dollar	**65**	(82)
Canadian Dollar	**39**	27
Singapore Dollar	**49**	46
	179	9

For a 5% weakening of sterling against the relevant currency, there would be a comparable but opposite impact on the profit.

* Amounts displayed within the prior periods have been restated for the disposal of Microgen Financial Systems Limited on 28 June 2019 which met the criteria of being presented as a discontinued operation, see note 28 for details.

(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 was 2.46% up until 10 May 2019 when the Group settled its outstanding term loan facility and accompanying interest rate swap in full in order to release the charges held over the Group as part of the preparation for the disposal of the Microgen Financial Systems business.

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 in sections (c) and (d)).

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.

	2019 £000	2018 £000
Increase in interest receivable on cash balances	**386**	182

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 2019 Balance £000	31 December 2018 Balance £000
Bank A	**A2**	**12,377**	10,741
Bank B	**Aa2**	**6,113**	9,801
Bank C	**Aa3**	**11,178**	4,340
		29,668	24,882
Client A	**Aa2**	**1,200**	911
Client B	**Aa2**	**554**	792
Client C	**A3**	**492**	655
		2,246	2,358

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 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 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the clients to settle the receivables.

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 2019 (on adoption of IFRS 9) for the Group and Company was determined as follows:

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*	221	151	14	15	29	430
Amounts subject to loss allowance	221	151	14	15	29	430
Total expected loss allowance	**2**	**8**	**1**	**2**	**6**	**19**

* Net carrying amount excludes the value of annual licence fees and amounts covered by credit insurance.

Company	2019 £000	2018 £000
Gross carrying amount - intercompany loan receivable	**–**	2,057
Expected loss rate	**1%**	1%
Loss Allowance provision	**–**	21

(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. The reduction in the Group's financial liabilities from 31 December 2018 is due to the disposal of Microgen Financial Systems Limited on 28 June 2019, see note 28 for details.

Group At 31 December 2019	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
Capital lease obligations	**835**	**1,064**	**224**
Derivative financial instruments	**120**	**–**	**–**
Trade and other payables	**28,573**	**–**	**–**
	29,528	**1,064**	**224**

At 31 December 2018	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
Borrowings	2,219	4,290	2,046
Capital lease obligations	1,109	2,295	551
Derivative financial instruments	12	–	–
Trade and other payables	33,522	–	–
	36,862	6,585	2,597

Company At 31 December 2019	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
Trade and other payables	**4,339**	**–**	**–**
	4,339	**–**	**–**

At 31 December 2018	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
Borrowings	2,219	4,290	2,046
Trade and other payables	4,309	–	–
	6,528	4,290	2,046

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. On 10 May 2019, the Group settled its outstanding term loan facility and accompanying interest rate swap in full in order to release the charges held over the Group as part of the preparation for the disposal of the Microgen Financial Systems business.

At 31 December 2019	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
Forward foreign exchange contracts			
– cash flow hedges			
Outflow	(5,630)	–	–
Inflow	5,616	–	–
	(14)	–	–

At 31 December 2018	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
Forward foreign exchange contracts			
– cash flow hedges			
Outflow	(5,038)	–	–
Inflow	5,026	–	–
Interest rate swap			
– cash flow hedges			
Outflow	(219)	(290)	(46)
Inflow	206	276	45
	(25)	(14)	(1)

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, 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	
	2019 £000	2018 £000
Financial Assets		
Derivative financial assets (designated hedge instruments)	4	114
	4	114
Financial Liabilities		
Derivative financial liabilities (designated hedge instruments)	120	12
	120	12

The derivative financial assets and liabilities have been valued using the market approach and 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 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 2019.

Our general funding policy is to raise long term debt when required to meet the anticipated requirements of the Group.

As at 31 December 2019, Aptitude Software Group plc has no capital covenants to which the Group or the Company are subject.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting judgements

(a) Recognition of revenue

The policy for the recognition of software licences, maintenance and subscription fees is detailed on pages 78 to 80. For Annual Licence Fees, the Group determines for each contract whether ongoing contractual maintenance obligations represent a performance obligation that is distinct from the licence. Where the ongoing contractual obligations are not distinct from the licence the Group will determine for each contract the period over which significant modification and optimisation of software is required, or whether the requirement is on-going during the expected duration of the contract.

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 capped at the value of the invoice.

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 consultancy effort to be provided to satisfy certain contractual obligations without incremental charge. Where such effort is anticipated, an accompanying provision is calculated based on the value of this time if charged to the client and is recognised through the deferral of revenues.

For product specific consultancy, the Group concludes for each contract whether this represents a separate, distinct performance obligation. These judgments have been applied consistently year to year. Across both the current and prior year all cases of the services being provided met the criteria of being a separate, distinct performance obligation on the basis that that all contracts drawn up were produced in such a way that the client could choose to purchase the services elsewhere without significantly affecting the promises included in the licence and maintenance agreement.

(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. Following the disposal of Microgen Financial Systems business the Group has determined that it has only one cash generating unit at the year end, this being the Aptitude Software business. 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.

Impairments recognised 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.

(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 unit. 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 82 and in the current year there are no development expenses that have been capitalised (2018: nil). The total product management, research and development expenditure in the period is £9.3 million (2018: £8.2 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.

Accounting estimates

(a) Recognition of revenue

Where the Group has concluded that the ongoing contractual obligations are not distinct from the licence and therefore a combined performance obligation exists, the revenue is recognised in line with development activity related to the relevant product. Consequently, estimation is required for each contract to calculate the period in which the enhancements are required by the particular user. Fixed priced development or consultancy projects also require estimates in respect of the percentage completion of each project.

(b) Taxation

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, 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.

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.

During 2019 Aptitude Software Group plc operated two businesses, Aptitude Software and Microgen Financial Systems, both of which were considered operating segments based on the reports the Group received from management to make strategic decisions. With the disposal of Microgen Financial Systems on 28 June 2019, the only continuing business segment in the year ending 31 December 2019 was Aptitude Software and therefore certain segmental analysis is no longer required to be provided for this period.

The principal activity of the Group throughout 2018 and 2019 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.

Continuing operations	Sales revenue by origin		Sales revenue by destination	
	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 £000	**Year ended 31 Dec 2019 £000**	Year ended 31 Dec 2018 £000
United Kingdom	**32,194**	21,978	**8,419**	6,037
Rest of World	**27,458**	30,296	**51,233**	46,237
	59,652	52,274	**59,652**	52,274

The following is an analysis of the carrying amount of non-current assets (excluding deferred and income tax assets), and additions to property, plant and equipment and intangible assets (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 2019 £000	Year ended 31 Dec 2018 £000	**Year ended 31 Dec 2019 £000**	Year ended 31 Dec 2018 £000
United Kingdom	**17,816**	40,324	**460**	380
Rest of World	**17,410**	29,653	**368**	605
	35,226	69,977	**828**	985

The Company's business is to invest in its subsidiaries and, therefore, it operates in a single segment.

The reduction in both the carrying amount of non-current assets and capital expenditure is due to the disposal of the Microgen Financial Systems business during the year, see note 28 for details.

1. Segmental information (continued)

(b) Balance sheet

	Microgen Financial Systems £000	Aptitude Software £000	Total £000
Year ended 31 December 2019			
Consolidated total assets	–	81,151	81,151
Consolidated total liabilities	–	(34,727)	(34,727)
	–	**46,424**	**46,424**

	Microgen Financial Systems £000	Aptitude Software £000	Total £000
Year ended 31 December 2018			
Consolidated total assets	36,229	80,395	116,624
Consolidated total liabilities	(12,036)	(39,768)	(51,804)
	24,193	**40,627**	**64,820**

2. Revenue from contracts with clients

(a) Analysis of revenue from contracts with clients

The Group derives revenue from the transfer of goods and services in the following major categories and geographical regions:

Continuing operations

	Software related revenue			**Services related revenue**			
Year ended 31 Dec 19	**United Kingdom £000**	**Rest of World £000**	**Total £000**	**United Kingdom £000**	**Rest of World £000**	**Total £000**	**Total £000**
Revenue from external clients	**4,863**	**23,631**	**28,494**	**3,556**	**27,602**	**31,158**	**59,652**

	Software related revenue			Services related revenue			
Year ended 31 Dec 18	United Kingdom £000	Rest of World £000	Total £000	United Kingdom £000	Rest of World £000	Total £000	Total £000
Revenue from external clients	3,573	21,241	24,814	2,464	24,996	27,460	52,274

All of the revenue displayed in the above table is recognised over time in line with the Group's accounting policy detailed on pages 78 to 80 and has been generated from contracts with clients.

For software related revenue, the Group receives payment for its licence, maintenance and subscription fees annually in advance of the performance obligations being satisfied. Service related 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.

Notes to the
Consolidated Financial Statements

2. Revenue from contracts with clients (continued)

(b) Assets and liabilities related to contracts with clients

The Group has recognised assets and liabilities relating to contracts with clients. 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 decreased against the prior year to £538,000 at 31 December 2019 (31 December 2018: £1,158,000, all of which relates to the Continuing Group) due to timing differences on when the software or service was provided against when it has been invoiced to the client.

Deferred income has also seen a decrease of £5,434,000 to £22,842,000 at 31 December 2019 (2018: £28,276,000). This has arisen principally through the Group's disposal of the Microgen Financial Systems business on the 28 June 2019. If the impact of the disposal is removed, deferred income has increased by £3,644,000 since 31 December 2018 through the new business growth which resulted in an uplift in the value of Annual Licence Fee and Subscription invoices issued during 2019 in excess of that recognised.

(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:

Continuing operations	**Group Year ended 31 Dec 2019 £000**	Group Year ended 31 Dec 2018 £000
Revenue recognised that was included in the deferred income balance at 31 December of the previous period	**18,082**	16,926

Of the deferred income balance at 31 December 2018 and 31 December 2017 totalling £28,276,000 and £26,671,000 respectively, £19,198,000 and £19,494,000 was in respect of the continuing Group.

(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 2020 to 31 December 2024 on a contract by contract basis as and when the performance obligations are met:

Continuing operations	**Group As at 31 Dec 2019 £000**	Group As at 31 Dec 2018 £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	**97,659**	81,538

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.

2. Revenue from contracts with clients (continued)

(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 term of the specific contract and presented within other long-term assets in the balance sheet.

	Group As at 31 Dec 2019 £000	Group As at 31 Dec 2018 £000
Asset recognised from costs incurred to fulfil a contract at 31 December	**1,746**	1,581
Amortisation recognised as cost of providing services during the year from continuing operations	**415**	359

£258,000 of the asset recognised as at 31 December 2018 relates to the Microgen Financial Systems business which was disposed of on 28 June 2019, see note 28 for details. On disposal, the Microgen Financial Systems business held an asset in relation to the commission costs of obtaining a contract totalling £257,000 and had recognised amortisation for the period to disposal of £102,000 (year ending 31 December 2018: £205,000).

3 Operating profit

The following items are included in operating costs:

Continuing operations	**Year ended 31 Dec 2019 £000**	Year ended 31 Dec 2018 Restated* £000
Employee benefit expense (note 4)	**32,427**	28,076
Depreciation	**1,635**	1,442
Other operating costs	**15,088**	13,981
	49,150	43,499
Non-underlying operating costs:		
Amortisation of intangibles	**846**	846
Overseas taxation provision	**713**	–
Share based payments on share options issued in 2013	**–**	101
Acquisition and associated restructuring costs	**–**	162
	1,559	1,109
	50,709	44,608

* Amounts displayed within the prior periods have been restated for the disposal of Microgen Financial Systems Limited on 28 June 2019 which met the criteria of being presented as a discontinued operation, see note 28 for details.

Profit from continuing operations has been arrived at after charging:

	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 Restated* £000
Net foreign exchange gains	**(128)**	(240)
Product management, research and development costs	**9,337**	8,188
Depreciation of property, plant and equipment	**1,635**	1,442
Repairs and maintenance expenditure on property, plant and equipment	**145**	238

* Amounts displayed within the prior periods have been restated for the disposal of Microgen Financial Systems Limited on 28 June 2019 which met the criteria of being presented as a discontinued operation, see note 28 for details.

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3 Operating profit (continued)

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 £000
Fees payable to Company's auditors for the audit of the Parent Company and consolidated financial statements	**83**	119
Fees payable to the Company's auditors and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	**27**	38
– audit related assurance service (payable to PricewaterhouseCoopers LLP)	**20**	35
– other consultancy services (payable to PricewaterhouseCoopers LLP)	**550**	10
	680	202

A description of the work of the Audit Committee is included in the corporate governance statement on pages 28 to 30 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

On 4 October 2019, the Group appointed Grant Thornton UK LLP as its new external auditor replacing PricewaterhouseCoopers LLP. During the year PricewaterhouseCoopers LLP carried out audit related assurance services in respect of the interim financial statements along with other consulting services relating to the disposal of Microgen Financial Systems and the initially considered demerger with the associated costs included in the table above. All of the costs in respect of the year ending 31 December 2018 were for services carried out by PricewaterhouseCoopers LLP.

4 Employees and directors

Continuing operations	**Group Year ended 31 Dec 2019 £000**	Group Year ended 31 Dec 2018 Restated* £000	**Company Year ended 31 Dec 2019 £000**	Company Year ended 31 Dec 2018 £000
Employee benefit expense during the year				
Excluding non-underlying costs				
Wages and salaries	**28,216**	24,284	**933**	1,233
Social security costs	**2,604**	2,102	**120**	133
Other pension costs	**861**	687	**29**	46
Share based payment costs on share options issued after 2013	**746**	902	**116**	127
	32,427	27,975	**1,198**	1,539
Non-underlying share based payment cost on share options issued in 2013	**–**	101	**–**	101
	32,427	28,076	**1,198**	1,640

Average monthly number of employees (including Directors) are:

Continuing operations	**Group Year ended 31 Dec 2019 Number**	Group Year ended 31 Dec 2018* Restated Number	**Company Year ended 31 Dec 2019 Number**	Company Year ended 31 Dec 2018 Number
By location:				
United Kingdom	**110**	109	**8**	13
Rest of World	**208**	193	**–**	–
	318	302	**8**	13

* Amounts displayed within the prior periods have been restated for the disposal of Microgen Financial Systems Limited on 28 June 2019 which met the criteria of being presented as a discontinued operation, see note 28 for details.

Headcount at 31 December 2019 was 330 (2018: 405, of which 306 related to the continuing Group).

4 Employees and directors (continued)

Continuing operations	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 Restated* £000
Key management compensation:		
Short-term employee benefits	**1,738**	1,605
Post employment benefits	**65**	53
Share based payment	**308**	359
	2,111	2,017

Key management compensation for the Group includes the Board of the Company and senior executives within the Group.

Continuing operations	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 Restated* £000
Directors		
Aggregate emoluments	**935**	701
Company contributions to money purchase pension scheme	**27**	27
	962	728
Discontinued operations		
Aggregate emoluments and Company contributions to money purchase pension scheme	**–**	168
	962	896

* Amounts displayed within the prior periods have been restated for the disposal of Microgen Financial Systems Limited on 28 June 2019 which met the criteria of being presented as a discontinued operation, see note 28 for details.

Average monthly number of Directors and senior executives in respect of continuing operations were 9 (2018: 10). The above key management figures on the prior page include the Directors of Aptitude Software Group plc.

During the year the highest paid Director received aggregate emoluments of £349,000 (2018: £243,000) excluding long term incentive awards. The value of the Company contributions paid to a money purchase scheme in respect of the highest paid Director amounted to £13,000 (2018: £14,000).

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 12 to 25. Amounts displayed throughout the tables above exclude the impact of long term incentive awards which have either been exercised in the year or have vested but are yet to be exercised.

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5 Net finance costs

Continuing operations	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 Restated* £000
Finance income		
Interest on bank deposits	**158**	46
	158	46
Finance cost		
Interest payable on bank borrowings	**(91)**	(273)
Interest payable on capital lease obligations	**(93)**	(136)
Amortisation of loan arrangement fee	**(142)**	(40)
	(326)	(449)
Net finance cost	**(168)**	(403)

* Amounts displayed within the prior periods have been restated for the disposal of Microgen Financial Systems Limited on 28 June 2019 which met the criteria of being presented as a discontinued operation, see note 28 for details.

6 Income tax expense

Analysis of charge in the year	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 £000
Current tax:		
– tax charge on underlying items	**(3,992)**	(3,479)
– tax credit on non-underlying items	**125**	–
– adjustment to tax in respect of prior periods	**145**	145
Total current tax	**(3,722)**	(3,334)
Deferred tax (note 15):		
– tax credit on underlying items	**722**	18
– tax credit on non-underlying items	**361**	521
– adjustment to tax in respect of prior periods	**75**	2
– adjustment for change in accounting policies	**–**	244
Total deferred tax	**1,158**	785
Income tax expense	**(2,564)**	(2,549)
Income tax expense is attributable to:		
Profit from continuing operations	**(2,033)**	(1,847)
Profit from discontinued operation	**(531)**	(702)
	(2,564)	(2,549)

United Kingdom corporation tax is calculated at 19.00% (2018: 19.00%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

United Kingdom corporation tax rates substantively enacted as part of the Finance Bill 2016 include reductions to the main rate to 19% from 1 April 2017 and further reduction to 17% from 1 April 2020.

During 2018, the Group adopted a number of new accounting standards on a retrospective basis, the result of which was an adjustment to reserves for the year ending 31 December 2017. The tax impact of these movements was reflected in the deferred tax balance. In accordance with tax legislation in the relevant jurisdictions, adjustments which directly impact the income statement were fully realised in 2018.

6 Income tax expense (continued)

The tax for the year is lower than (2018: lower than) the standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%). The differences are explained below:

	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 £000
Profit from continuing operations before tax	**8,775**	7,263
Profit from discontinued operation before tax	**22,961**	9,079
	31,736	16,342
Tax at the United Kingdom corporation tax rate of 19.00% (2018: 19.00%)	**(6,030)**	(3,105)
Effects of:		
Adjustment to tax in respect of prior periods	**271**	145
Adjustment for change in accounting policies	**–**	244
Adjustment in respect of foreign tax rates	**(306)**	(499)
Expenses not deductible for tax purposes	**(186)**	–
Exempt gain on disposal	**3,894**	594
Other	**(135)**	18
Recognition of tax losses	**25**	50
Change in future tax rates	**(97)**	4
Total taxation	**(2,564)**	(2,549)

The total tax charge of £2,564,000 (2018: £2,549,000) represents 8.08% (2018: 15.60%) of the Group profit before tax of £31,736,000 (2018: £16,342,000). The reduction in effective rate is due principally to the exempt gain on disposal of Microgen Financial Systems Limited, see note 28 for details.

After adjusting for the impact of non-underlying items, change in tax rates, share based payment charge, prior year tax charge and change in accounting policies, the tax charge for the year of £3,270,000 (2018: £3,509,000) represents 24.17% (2018: 22.93%), 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 prior year amount also included the deferred equity consideration arising as part of the Aptitude RevStream Inc. acquisition which were issued in August 2019.

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 Dec 2019			Year ended 31 Dec 2018		
	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	**29,172**	**60,280**	**48.4**	13,793	60,922	22.6
Effect of dilutive securities:						
– share options	**–**	**865**	**(0.7)**	–	3,336	(1.1)
Diluted EPS	**29,172**	**61,145**	**47.7**	13,793	64,258	21.5

The weighted average number of shares excludes the impact of the issue and subsequent cancellation of 'B' shares on 24 September 2019 and 10 October 2019 respectively in order to provide a like for like comparison with these shares only being issued as part of the mechanism to complete the return of value to shareholders. If the impact of this was included the weighted average number of shares during the year would increase to 63,065,000. See note 23 for details.

The weighted average number of shares includes the impact of the share consolidation performed during the year, see note 23 for details. If the impact of this was removed the weighted average number of shares during the year would increase to 62,370,000.

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 24.17% (2018: 22.93%).

	Year ended 31 Dec 2019		Year ended 31 Dec 2018	
	Basic EPS pence	Diluted EPS pence	Basic EPS pence	Diluted EPS pence
Earnings per share	**48.4**	**47.7**	22.6	21.5
Non-underlying items net of tax	**(31.0)**	**(30.6)**	(2.5)	(2.4)
Prior years' tax credit	**(0.4)**	**(0.4)**	(0.2)	(0.2)
Change in accounting policies	**–**	**–**	(0.4)	(0.4)
Tax losses recognised	**–**	**–**	(0.1)	(0.1)
Adjusted earnings per share	**17.0**	**16.7**	19.4	18.4
Basic earnings per share				
From continuing operations	**11.2**	**11.0**	8.9	8.5
From discontinued operations	**37.2**	**36.7**	13.7	13.0
	48.4	**47.7**	22.6	21.5
Adjusted earnings per share				
From continuing operations	**12.8**	**12.5**	10.2	9.7
From discontinued operations	**4.2**	**4.2**	9.2	8.7
	17.0	**16.7**	19.4	18.4

7 Earnings per share (continued)

	Year ended 31 Dec 2019 £000	Year ended 31 Dec 2018 £000
Profit on continuing operations before tax and non-underlying items	**10,334**	8,372
Profit on discontinued operation before tax and non-underlying items	**3,196**	6,934
	13,530	15,306
Tax charge at a rate of 24.17% (2018: 22.93%)	**(3,270)**	(3,509)
	10,260	11,797
Prior years' tax charge	**220**	145
Non-underlying items net of tax	**18,692**	1,557
Change in accounting policy	**–**	244
Recognition of tax losses	**–**	50
Profit on ordinary activities after tax	**29,172**	13,793

8 Dividends

	2019 pence per share	2018 pence per share	2019 £000	2018 £000
Dividends paid:				
Interim dividend	**1.80**	2.20	**1,144**	1,340
Final dividend (prior year)	**4.40**	4.25	**2,715**	2,588
	6.20	6.45	**3,859**	3,928
Proposed but not recognised as a liability:				
Final dividend (current year)	**3.60**	4.40	**2,024**	2,692

The proposed final dividend for the current year was approved by the Board on 10 March 2020 but was not included as a liability as at 31 December 2019, 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 29 May 2020 to shareholders on the register at the close of business on 11 May 2020.

9 Property, plant and equipment

The Group leases various offices and plant and machinery which, following the adoption of IFRS 16 in the prior year, met the criteria set out to be recognised as capital lease agreements. Consequently right-of-use assets were recognised.

	Right-of-use assets £000	Leasehold improve-ments £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Group					
Cost					
At 1 January 2019	8,516	707	5,487	568	**15,278**
Additions	97	17	800	11	**925**
On disposal of subsidiary	(2,123)	(281)	(959)	(86)	**(3,449)**
Disposals	–	–	(169)	(1)	**(170)**
Exchange movements	(20)	(2)	(68)	10	**(80)**
At 31 December 2019	**6,470**	**441**	**5,091**	**502**	**12,504**
Accumulated depreciation					
At 1 January 2019	4,985	501	4,116	259	**9,861**
Charge for the year	962	18	787	77	**1,844**
On disposal of subsidiary	(1,313)	(131)	(735)	(57)	**(2,236)**
Disposals	–	–	(102)	(1)	**(103)**
Exchange movements	(13)	(3)	(55)	2	**(69)**
At 31 December 2019	**4,621**	**385**	**4,011**	**280**	**9,297**
Net book amount					
At 31 December 2019	**1,849**	**56**	**1,080**	**222**	**3,207**

	Right-of-use assets £000	Leasehold improve-ments £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Group					
Cost					
At 1 January 2018	7,680	649	5,375	425	**14,129**
Additions	879	87	748	150	**1,864**
On disposal of subsidiary	–	–	(281)	–	**(281)**
Disposals	(43)	(28)	(327)	(11)	**(409)**
Exchange movements	–	(1)	(28)	4	**(25)**
At 31 December 2018	**8,516**	**707**	**5,487**	**568**	**15,278**
Accumulated depreciation					
At 1 January 2017	3,962	481	3,936	207	**8,586**
Charge for the year	1,024	26	747	72	**1,869**
On disposal of subsidiary	–	–	(230)	–	**(230)**
Disposals	(1)	(6)	(321)	(5)	**(333)**
Exchange movements	–	–	(16)	(15)	**(31)**
At 31 December 2018	**4,985**	**501**	**4,116**	**259**	**9,861**
Net book amount					
At 31 December 2018	**3,531**	**206**	**1,371**	**309**	**5,417**

9 Property, plant and equipment (continued)

	Plant & machinery £000	Total £000
Company		
Cost		
At 1 January 2019	390	**390**
Additions	43	**43**
At 31 December 2019	**433**	**433**
Accumulated depreciation		
At 1 January 2019	184	**184**
Charge for the year	127	**127**
At 31 December 2019	**311**	**311**
Net book amount		
At 31 December 2019	**122**	**122**

	Plant & machinery £000	**Total £000**
Company		
Cost		
At 1 January 2018	337	**337**
Additions	53	**53**
At 31 December 2018	**390**	**390**
Accumulated depreciation		
At 1 January 2018	54	**54**
Charge for the year	130	**130**
At 31 December 2018	**184**	**184**
Net book amount		
At 31 December 2018	**206**	**206**

10 Goodwill

	31 Dec 2019 £000	31 Dec 2018 £000
Cost		
At 1 January	**66,728**	70,736
Disposal of subsidiary (note 28 and 29)	**(42,941)**	(4,008)
At 31 December	**23,787**	66,728
Accumulated impairment		
At 1 January and 31 December	**(17,935)**	(17,935)
Disposal of subsidiary	**17,935**	–
At 31 December	**–**	(17,935)
Net book value		
At 31 December	**23,787**	48,793

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 Software £000	Microgen Financial Systems £000	Total £000
At 1 January	23,787	25,006	48,793
Disposal of subsidiary	–	(25,006)	(25,006)
At 31 December 2019	**23,787**	**–**	**23,787**

The disposal of subsidiary during the year of £25,006,000 represents the amount of goodwill allocated to the Microgen Financial Systems business which was disposed of on 28 June 2019 and presented as a discontinued operation, see note 28 for details.

The disposal of subsidiary in the prior year of £4,008,000 represents the amount of goodwill allocated within the Microgen Financial Systems cash generating unit to Microgen Banking Systems Limited, see note 29 for details.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value.

The Board approved plans for Aptitude Software project a marginal growth in operating profit for 2020 followed by anticipated growth in operating profit of 10% per annum for the period 2021-2023 following the approved 2020 plans. The growth rates applied were based on the Group's assessment of the future opportunities within the market, supported by the latest three year forecast produced by management.

The terminal growth rates for the period after 2024 are no greater than 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 CGUs was 9.8% (2018: 9.8%).

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	Client relationships £000	Total £000
Group			
Cost			
At 1 January 2019	6,033	12,648	18,681
Disposals (note 28)	(1,021)	(9,199)	(10,220)
At 31 December 2019	**5,012**	**3,449**	**8,461**
Accumulated amortisation and impairment			
At 1 January 2019	1,233	3,262	4,495
Amortisation	592	800	1,392
Disposals (note 28)	(655)	(3,257)	(3,912)
At 31 December 2019	**1,170**	**805**	**1,975**
Net book amount			
At 31 December 2019	**3,842**	**2,644**	**6,486**

	Software IPR £000	Client relationships £000	Total £000
Group			
Cost			
At 1 January and 31 December 2018	**6,033**	**12,648**	**18,681**
Accumulated amortisation and impairment			
At 1 January 2018	561	1,996	2,557
Amortisation	672	1,266	1,938
At 31 December 2018	**1,233**	**3,262**	**4,495**
Net book amount			
At 31 December 2018	**4,800**	**9,386**	**14,186**

The Company held no intangible assets during the year (2018: nil).

The externally acquired software IPR relates to expected future benefits of software and development projects in progress at the date of acquisition. As at 31 December 2019 no internal research and development costs have been capitalised. The client relationships relate to expected benefits obtained from recurring level of business from clients obtained as a result of acquisitions. The useful lives of the intangible assets acquired has been determined as between 6-10 years (2018: 6-10 years) in respect of software IPR and 10 years (2018: 10 years) in respect of client relationships.

The amortisation charge in the year is shown in non-underlying costs.

12 Investments in subsidiaries

The Group did not hold any investments in 2019 (2018: nil).

	2019 £000	2018 £000
Company		
Cost		
At 1 January	**73,144**	72,298
Additions	**4,306**	–
Disposals	**(21,175)**	–
Share based payments - share options granted to employees of subsidiaries	**618**	846
At 31 December	**56,893**	73,144
Impairment		
At 1 January	**28,950**	22,155
Charge for the year pursuant to return of capital	**–**	6,795
At 31 December	**28,950**	28,950
Net book amount		
At 31 December	**27,943**	44,194

In May 2019, Aptitude Software Group plc invested new capital in Microgen Financial Systems Limited which, at that time was a subsidiary of the Group, for consideration of £4,306,000 as part of the preparation for the disposal of the Microgen Financial Systems business.

During 2019, the Group disposed of the entire share capital of Microgen Financial Systems Limited to an unrelated third party, see note 28 for details.

During the course of 2018, a return of capital was made by Aptitude Software Services Limited (formerly Microgen Management Services Limited) to Aptitude Software Group plc of £6,795,000. At this time the net book value of the investment in Aptitude Software Services Limited was reduced by the value of this return of capital to its recoverable amount.

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.

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 Revstream Inc.*	USA	Software and Services
Aptitude Software Services Limited (formerly Microgen Management Services Limited)	England & Wales	Dormant

* Indirectly held by Aptitude Software Group plc

12 Investments in subsidiaries (continued)

As at 31 December 2019, the Company owns 100% of the ordinary share capital and share premium in the above subsidiaries.

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	1500 Royal Centre, 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, V6E 4N7
Aptitude Software Inc	CT Corporation System, 111 8th Avenue, New York, 10011
Aptitude RevStream Inc.	100 Marine Parkway, Suite 210, Redwood City, CA 94065
Microgen Poland Sp. Z.o.o.	ul. Muchoborska 6, 54-424 Wroclaw, Poland

13 Other long-term assets

	Group 2019 £000	Group 2018 £000
Prepaid commission costs	**1,746**	1,581

On adoption of IFRS 15, the Group's assessment is that commission incurred on software licence and subscription sales meet the definition of incremental costs of obtaining a contract. An asset recognised at inception of the contract for the total value of commissions payable which is then amortised across the period over which significant modification and optimisation is required in respect of each client.

The Company held no other long term assets during the year (2018: nil).

14 Income tax assets

As at the 31 December 2019, the Group has income tax assets totalling £2,099,000 (2018: £1,535,000) of which £1,155,000 is expected to be recovered within 12 months. This amount has been created through the benefit from share option deductions not factored into tax instalment calculations (£805,000), withholding tax due back from Canada (£162,000), with the remaining balance anticipated to be either refunded from the relevant tax authorities (£403,000) or offset against future tax instalments (£729,000).

The Company also has income tax assets totalling £862,000 (2018: £2,604,000) of which £359,000 is expected to be recovered within 12 months. This amount has been created in a similar way to the asset held at Group level with the balance anticipated to be either refunded 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 19% (2018: 19%) for balances expected to be recovered within 12 months and 17% (2018: 17%) 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 (2018: 30.3% made up of 21% federal and 9.3% state tax).

Deferred tax	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Deferred tax assets	**1,198**	1,137	**798**	132
Deferred tax liabilities	**(1,502)**	(3,582)	**–**	–
Deferred tax (liability)/asset	**(304)**	(2,445)	**798**	132

Net deferred tax (liability)/asset	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 January	**(2,445)**	(2,876)	**132**	136
Total credit/(charge) to income statement for the year	**883**	101	**764**	(6)
(Charge)/credit to equity (note 26)	**(29)**	(348)	**(9)**	2
Exchange differences	**(4)**	(6)	**–**	–
On disposal of subsidiaries	**1,012**	–	**–**	–
Non-underlying deferred tax credit to the income statement for the year	**361**	434	**–**	–
Changes in tax rate	**(82)**	6	**(89)**	–
Adjustment for change in accounting policies	**–**	244	**–**	–
At 31 December	**(304)**	(2,445)	**798**	132

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.

15 Deferred tax (continued)

Gross 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 2018	124	326	827	144	1,421
Total (charge)/credit to income statement for the year	(10)	(9)	178	(58)	101
Credit to equity (note 26)	–	(17)	(331)	–	(348)
Exchange differences	–	(5)	–	–	(5)
Adjustment for change in accounting policies	–	6	–	–	6
Changes in tax rate	(12)	(16)	–	(10)	(38)
At 31 December 2018	**102**	**285**	**674**	**76**	**1,137**
Total (charge)/credit to income statement for the year	(13)	401	(235)	823	976
Credit to equity (note 26)	–	(40)	11	–	(29)
Exchange differences	–	(4)	–	–	(4)
Disposal of subsidiary	(55)	(19)	(151)	(77)	(302)
Changes in tax rate	–	(2)	–	(80)	(82)
At 31 December 2019	**34**	**621**	**299**	**742**	**1,696**
Amounts offset against deferred tax liability	–	(352)	(146)	–	(498)
Net deferred tax asset at 31 December 2019	**34**	**269**	**153**	**742**	**1,198**

At the balance sheet date, the Group has unused tax losses of £4,329,000 (2018: £3,080,000) available for offset against future profits. A deferred tax asset of £742,000 has been recognised in respect of these losses as the Group anticipates being able to utilise these in full in the year ending 31 December 2020 (2018: £455,000 of unused tax losses expected to be utilised in respect of which a deferred tax asset of £76,000 was recognised). In 2018 no deferred asset was recognised in respect of the remaining £2,625,000 due to the unpredictability of future profit streams, these losses were wholly in relation to the Microgen Financial Systems business which was disposed of on 28 June 2019, see note 28 for details.

Deferred tax asset	Accelerated capital allowances £000	Short term timing differences £000	Share-based payments £000	Taxable trading losses	Total £000
Company					
At 1 January 2018	20	–	116	–	136
Total credit/(charge) to income statement for the year	6	–	(12)	–	(6)
Credit/(charge) to equity (note 26)	9	–	(7)	–	2
At 31 December 2018	**35**	**–**	**97**	**–**	**132**
Total (charge)/credit to income statement for the year	(2)	28	(84)	822	764
Change in tax rate	–	(2)	–	(87)	(89)
Charge to equity (note 26)	–	(8)	(1)	–	(9)
At 31 December 2019	**33**	**18**	**12**	**735**	**798**

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.

15 Deferred tax (continued)

Gross deferred tax liability	Accelerated depreciation £000	Intangible fixed assets £000	Total £000
Group			
At 1 January 2018	–	(4,297)	(4,297)
Non-underlying deferred tax credit to the income statement for the year	–	434	434
Changes in tax rate	–	44	44
Adjustment for change in accounting policies	–	237	237
At 31 December 2018	**–**	**(3,582)**	**(3,582)**
On disposal of subsidiaries	–	1,314	1,314
Non-underlying deferred tax credit to the income statement for the year	–	361	361
Total charge to income statement for the year	(93)	–	(93)
At 31 December 2019	**(93)**	**(1,907)**	**(2,000)**
Deferred tax asset amounts offset against deferred tax liability			498
Net deferred tax liability at 31 December 2019			**(1,502)**

Explanation of the movements in the year is provided on page 110.

16 Trade and other receivables

	Group 31 Dec 2019 £000	Group 31 Dec 2018 £000	Company 31 Dec 2019 £000	Company 31 Dec 2018 £000
Trade receivables	**7,218**	11,258	**–**	–
Less: provision for impairment of receivables	**(19)**	(229)	**–**	–
Trade receivables – net	**7,199**	11,029	**–**	–
Amounts owed by Group undertakings (net of loss allowance)	**–**	–	**–**	5,085
Other receivables	**1,127**	1,571	**141**	21
Prepayments	**795**	917	**165**	232
Accrued income	**538**	1,158	**–**	–
	9,659	14,675	**306**	5,338

Amounts due from group undertakings are unsecured and repayable on demand.

16 Trade and other receivables (continued)

Within the trade receivables balance of £7,218,000 (2018: £11,029,000, of which £8,785,000 is in respect of continuing operations) there are balances totalling £1,934,000 (2018: £3,718,000, of which £3,148,000 is in respect of continuing operations) which, at 31 December 2019, were overdue for payment. Of this balance £1,119,000 (2018: £3,596,000, of which £2,881,000 is in respect of continuing operations) has been collected at 10 March 2020 (2018: 22 March 2019). The ageing of the trade receivables is as follows:

	Trade receivables	
	31 Dec 2019 £000	31 Dec 2018 £000
Not past due	**5,284**	7,540
Past due		
Less than one month overdue	**1,248**	1,954
One to two months overdue	**50**	1,172
Two to three months overdue	**299**	113
More than three months overdue	**337**	479
At 31 December	**7,218**	11,258

The Company had no trade receivables in either year.

Trade and other receivables are denominated in the following currencies:

	Group 31 Dec 2019 £000	Group 31 Dec 2018 £000	**Company 31 Dec 2019 £000**	Company 31 Dec 2018 £000
Sterling	**6,797**	8,624	**306**	5,338
United States Dollars	**2,555**	5,619	**–**	–
Other	**307**	432	**–**	–
	9,659	14,675	**306**	5,338

Movements on the provision for impairment of trade receivables are as follows:

	Group 31 Dec 2019 £000	Group 31 Dec 2018 £000
At 1 January	**229**	88
(Released)/charged to income statement	**(172)**	141
On disposal of subsidiary	**(38)**	–
At 31 December	**19**	229

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 (2018: £nil). Non–trade receivables do not contain any impaired assets.

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.

The Company does not have any provision for impairment against its trade receivables (2018: nil) or its intercompany loan balance (2018: £21,000). See financial risk management section for details.

17 Financial instruments

At the balance sheet date, the total notional amount of outstanding forward foreign exchange and the interest rate swap are:

	31 Dec 2019		31 Dec 2018	
Group	**Assets £000**	**Liabilities £000**	Assets £000	Liabilities £000
Interest rate swaps - cash flow hedges	**–**	**–**	48	–
Forward foreign exchange contracts - cash flow hedges	**4**	**120**	66	12
	4	**120**	114	12

	31 Dec 2019		31 Dec 2018	
Company	**Assets £000**	**Liabilities £000**	Assets £000	Liabilities £000
Interest rate swaps - cash flow hedges	**–**	**–**	48	–

Total derivatives designated as hedging instruments

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets 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 and US dollar denominated service related revenue less US dollar denominated cost 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 2019 £000	31 Dec 2018 £000
Forward foreign exchange contracts – Polish Zloty	**5,506**	4,379
Forward foreign exchange contracts – US Dollar	**124**	659

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
- 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 2019, the fair value of the Group's currency derivatives is estimated to be a liability of approximately £116,000, (2018: £54,000), comprising £4,000 assets (2018: £66,000) and £120,000 liabilities (2018: £12,000), based on quoted market values.

17 Financial instruments (continued)

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 2019:

	Maturity		
Polish Zloty (highly probable forecast purchases)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	2,828	2,678	5,506
Average GBP:Zloty contract rate	4.92	4.93	4.92

US dollars (highly probable forecast sales)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	124	–	124
Average GBP:USD contract rate	1.35	–	1.35

Derivatives designated in heding relationships at 31 December 2018:

	Maturity		
Polish Zloty (highly probable forecast purchases)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	2,584	1,795	4,379
Average GBP:Zloty contract rate	4.88	4.90	4.89

US dollars (highly probable forecast sales)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	515	144	659
Average GBP:USD contract rate	1.29	1.30	1.29

The ineffectiveness recognised in the income statement for the year ending 31 December 2019 was a loss of £26,000 (2018: gain of £94,000) of which £14,000 was recognised in operating costs and £12,000 in revenue (2018: gain of £57,000 in operating costs and £37,000 in revenue).

The cost of hedging recognised in other comprehensive income during the year ending 31 December 2019 was £186,000 (2018: £14,000).

Fair value interest rate swaps

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. On 10 May 2019 the Group settled its outstanding term loan facility and accompanying interest rate swap in full in order to release the charges held over the Group as part of the preparation for the disposal of the Microgen Financial Systems business.

The Group established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. Prior to settlement, the Group tested the hedge effectiveness using the hypothetical derivative method and compares the changes in fair value of the hedging instrument against the changes in the fair value of the hedged item attributable to the hedged risk.

17 Financial instruments (continued)

The notional principal amounts of the outstanding interest rate swap contracts designated as hedging instruments in fair value interest rate debt at 31 December 2019 amounts to nil (2018: £8,000,000).

The timing of the nominal amounts of the interest rate swaps at 31 December 2018 were as follows:

	Fixed to floating	Floating to fixed
Notional amount (£000)	8,000	8,000
Average GBP:USD contract rate	LIBOR + 1.60%	2.49%

The fair value asset recognised in the consolidated statement of comprehensive income is nil (2018: asset of £48,000).

The fair values of the derivatives have been calculated by discounting the expected future cash flows at prevailing interest rates and are based on market prices at the balance sheet date.

Additional disclosures are set out in the accounting policies relating to risk management.

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 2019		31 Dec 2018	
	Note	**Book value £000**	**Fair value £000**	Book value £000	Fair value £000
Group					
Cash at bank and in hand	18	**32,965**	**32,965**	29,186	29,186

		31 Dec 2019		31 Dec 2018	
	Note	**Book value £000**	**Fair value £000**	Book value £000	Fair value £000
Company					
Cash at bank and in hand	18	**28,373**	**28,373**	23,815	23,815

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 client type.

Group	**2019 £000**	2018 £000
Trade receivables		
Banks and financial institutions	**3,377**	2,116
Other corporates	**1,907**	5,424
Total current trade receivables	**5,284**	7,540
Overdue trade receivables	**1,934**	3,718
Total trade receivables	**7,218**	11,258

17 Financial instruments (continued)

Cash at bank and short-term bank deposits	Current Rating (Moody's)	2019 £000	2018 £000
	Aa2	**11,281**	10,606
	Aa3	**8,823**	2,834
	A1	–	167
	A2	**12,861**	253
	Baa2	–	10,959
	Caa1	–	4,340
	B1	–	27
		32,965	29,186

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 2019 £000	Group 31 Dec 2018 £000	Company 31 Dec 2019 £000	Company 31 Dec 2018 £000
Sterling	**28,380**	24,178	**28,373**	23,815
South African Rand	–	219	–	–
United States Dollar	**4,090**	4,407	–	–
Polish Zloty	**320**	158	–	–
Canadian Dollar	**175**	197	–	–
Euros	–	27	–	–
Cash at bank and in hand	**32,965**	29,186	**28,373**	23,815

The effective interest rate on short term deposits was 0.4% (2018: 0.2%).

19 Financial liabilities

	Group 31 Dec 2019 £000	Group 31 Dec 2018 £000	Company 31 Dec 2019 £000	Company 31 Dec 2018 £000
Bank loan	–	7,858	–	7,858
The borrowings are repayable as follows:				
Within one year	–	2,040	–	2,040
In the second year	–	2,040	–	2,040
In the third to fifth years inclusive	–	3,920	–	3,920
	–	8,000	–	8,000
Unamortised prepaid facility arrangement fees	–	(142)	–	(142)
As at 31 December	–	7,858	–	7,858

On 21 July 2017, 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 was secured on the assets of the Group. Operating covenants were limited to the Group's net debt leverage and interest cover, with the term loan repayable over five years consisting of annual capital repayments of £2,000,000. The loan was denominated in Pound Sterling and carried interest at LIBOR plus 1.60%. The Group entered into an interest swap on 24 July 2017, effectively fixing the interest rate at 2.46% over a five year period. On 10 May 2019, the Group settled its outstanding term loan facility and accompanying interest swap in full in order to release the charges held over the Group as part of the preparation for the disposal of the Microgen Financial Systems business.

20 Trade and other payables

	Group 31 Dec 2019 £000	Group 31 Dec 2018 £000	Company 31 Dec 2019 £000	Company 31 Dec 2018 £000
Trade payables	**1,509**	1,778	**357**	495
Amounts owed to Group undertakings	**–**	–	**3,549**	3,506
Other tax and social security payable	**1,549**	1,962	**34**	258
Other payables	**92**	228	**–**	10
Accruals	**4,130**	3,240	**433**	298
Deferred income	**22,842**	28,276	**–**	–
	30,122	35,484	**4,373**	4,567

The amounts owed to Group undertakings are unsecured, interest free and repayable upon demand.

Within the deferred income and accruals balances of £28,276,000 and £3,240,000 at 31 December 2018, £19,198,000 and £2,650,000 are in respect of continuing operations.

The company borrowed £6,745,000 from group undertakings during the year (2018: £2,480,000) 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 £1,617,000 (2018: £158,000) during the year.

21 Capital lease obligations

The Group leases various offices and plant and machinery which, following the adoption of IFRS 16 in 2018, met the criteria set out to be recognised as capital lease agreements.

	Group 31 Dec 2019 £000	Group 31 Dec 2018 £000
Amounts payable under capital lease arrangements:		
Within one year	**901**	1,243
Within two to five years	**1,171**	2,510
After five years	**229**	571
Total	**2,301**	4,324
Less: future finance charges	**(178)**	(369)
Present value of lease obligations	**2,123**	3,955
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(835)**	(1,109)
As at 31 December	**1,288**	2,846

The present value of financial lease liabilities is split as follows:	Group 31 Dec 2019 £000	Group 31 Dec 2018 £000
Within one year	**835**	1,109
Within two to five years	**1,064**	2,295
After five years	**224**	551
	2,123	3,955

The Company had no capital lease obligations during the year (2018: nil).

21 Capital lease obligations (continued)

Repayment of capital lease obligations reconciliation

	Group 31 Dec 2019 £000	Group 31 Dec 2018 £000
Liability as at 1 January	**3,955**	4,238
Additions	**–**	879
Interest	**93**	136
On disposal of subsidiary	**(815)**	–
Foreign exchange	**17**	16
Repayments	**(1,127)**	(1,314)
Liability as at 31 December	**2,123**	3,955

22 Provisions

	Provisions	
	31 Dec 2019 £000	31 Dec 2018 £000
Group		
At 1 January	**424**	404
Charged to income statement	**90**	14
On disposal of subsidiary	**(132)**	–
Foreign exchange	**(7)**	6
At 31 December	**375**	424

Provisions have been analysed between current and non-current as follows:

	Provisions	
	31 Dec 2019 £000	31 Dec 2018 £000
Current	**38**	–
Non-current	**337**	424
	375	424

£317,000 (2018: £374,000) of the total provision at 31 December 2019 of £375,000 relates to the cost of dilapidations in respect of its occupied leasehold premises.

All of the non-current provision is expected to be utilised within 2 to 5 years (2018: £424,000).

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23 Share capital

Group and Company	31 Dec 2019 Number	31 Dec 2019 £000	31 Dec 2018 Number	31 Dec 2018 £000
Ordinary shares of 7 1/3p each (2018: 6 3/7p each)				
Issued and fully paid:				
At 1 January	**61,172,930**	**3,932**	60,878,689	3,913
Issued under share option schemes	**2,595,321**	**170**	294,241	19
Deferred equity consideration on acquisition	**398,518**	**26**	–	–
Share reorganisation	**(7,948,799)**	**–**	–	–
At 31 December	**56,217,970**	**4,128**	61,172,930	3,932
Shares to be issued:				
Deferred equity consideration on acquisition	**–**	**–**	398,518	26
Total Ordinary shares issued and to be issued at 31 December	**56,217,970**	**4,128**	61,571,448	3,958

On 3 September 2019, the 398,518 shares in respect of the deferred equity consideration arising on the acquisition of Aptitude Revstream Inc were issued.

On 23 September 2019, the Company performed a 7 for 8 share consolidation resulting in a reduction of 7,948,799 to the number of ordinary shares in issue. This was performed to maintain broad comparability of the share price and return per share of the ordinary shares following the return of value to shareholders by way of a 'B' share scheme, see following page for details.

	31 Dec 2019 Number	31 Dec 2019 £000	31 Dec 2018 Number	31 Dec 2018 £000
B' shares at 0.001 pence each				
Issued and fully paid:				
At 1 January	**–**	**–**	–	–
Issue of 'B' Shares	**63,590,392**	**1**	–	–
Cancellation of 'B' shares	**(63,590,392)**	**(1)**	–	–
At 31 December	**–**	**–**	–	–

On 24 September 2019, 63,590,392 'B' shares were issued at 0.001 pence each, resulting in a total of £636 being credited to the share capital account. On 23 September 2019, a dividend of 73 pence per 'B' share was declared and was payable on 10 October 2019. The 'B' shares were subsequently reclassified as Deferred Shares and repurchased by the Company for an aggregate consideration of £636 and then subsequently cancelled and an amount of £636 was deducted from the share capital account.

Return of value to shareholders

During the year ended 31 December 2019, the Group announced a return of value to shareholders of 73 pence per ordinary share amounting to £46.4 million in cash, by way of a 'B' share scheme, which gave shareholders the ability to receive cash in the form of capital. The return of value was approved by shareholders on 23 September 2019. The return of value was accompanied by a 7 for 8 share consolidation to maintain broad comparability of the share price before and after the creation of the 'B' shares. This consolidation of shares resulted in a reduction of 7,948,799 to the number of ordinary shares in issue.

23 Share capital (continued)

The number of ordinary shares for which employees hold options and the period to which the options are exercisable are as follows (note 30):

Period	Year of grant	Exercise price	2019 Number	2018 Number
Between 18 November 2018 and 18 November 2023	2013	5.0p	–	752,403
Between 21 October 2018 and 21 October 2025	2015	6 3/7p	–	527,423
Between 3 August 2019 and 3 August 2026	2016	6 3/7p	–	409,327
Between 3 August 2019 and 3 August 2026	2016	6 3/7p	–	282,850
Between 1 November 2019 and 1 May 2020	2016	190.5p	18,896	183,147
Between 1 November 2019 and 1 May 2020	2016	186.5p	13,644	501,815
Between 1 November 2020 and 1 May 2021	2017	450.5p	32,957	53,009
Between 1 November 2020 and 1 May 2021	2017	433.0p	98,048	121,749
Between 1 December 2020 and 1 June 2021	2017	400.0p	69,269	108,692
Between March 2022 and 10 August 2027	2017	6 3/7p	99,772	99,772
Between March 2020 and 10 August 2027	2017	6 3/7p	54,984	100,794
Between March 2020 and 15 March 2021	2017	6 3/7p	191,507	205,013
Between 30 August 2023 and 10 August 2028	2018	6 3/7p	106,886	106,886
Between 30 August 2023 and 10 August 2028	2018	6 3/7p	119,000	192,435
Between 12 March 2021 and 10 August 2028	2018	6 3/7p	41,763	41,763
Between 1 November 2021 and 1 May 2022	2018	410.0p	37,349	80,216
Between 1 November 2021 and 1 May 2022	2018	418.0p	137,824	154,634
Between 12 March 2022 and 10 August 2029	2019	7 1/3p	147,786	–
Between 12 March 2024 and 10 August 2029	2019	7 1/3p	118,494	–
Between 1 November 2022 and 1 May 2023	2019	590.0p	224,059	–
Between 1 November 2022 and 1 May 2023	2019	600.0p	43,656	–
			1,555,894	3,921,928

24 Share premium account

	2019 £000	2018 £000
Group and Company		
At 1 January	**6,488**	6,449
Premium on shares issued during the year under the share option schemes	**1,172**	39
At 31 December	**7,660**	6,488

The total net proceeds from the issuance of shares during the year was £1,368,000 (2018: £58,000) with £198,000 (2018 £19,000) 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			
At 1 January 2018	84	34,195	34,279
– net fair value losses in the period	(14)	–	(14)
At 31 December 2018	70	34,195	34,265
Cash flow hedges			
– net fair value losses in the period	(186)	–	(186)
At 31 December 2019	**(116)**	**34,195**	**34,079**

	Derivatives hedge reserve £000	Merger reserve £000	Total £000
Company			
At 1 January 2018	(12)	17,398	17,386
Cash flow hedges			
– net fair value gains in the period	18	–	18
At 31 December 2018	**6**	**17,398**	**17,404**
Cash flow hedges			
– net fair value losses in the period	(6)	–	(6)
At 31 December 2019	**–**	**17,398**	**17,398**

26 (Accumulated losses)/retained earnings

	Group £000	Company £000
At 1 January 2018	(2,712)	14,605
Profit for the year	13,793	11,949
Share options - value of employee service (note 31)	1,074	1,074
Deferred tax on financial instruments (note 15)	(17)	9
Deferred tax on share options (note 15)	(331)	(7)
Corporation tax on share options	131	(12)
Dividends paid (note 8)	(3,928)	(3,928)
At 31 December 2018	8,010	23,690
Profit for the year	29,172	38,687
Share options - value of employee service (note 31)	1,033	1,033
Return of value to shareholders	(46,420)	(46,420)
Expenses in relation to return of value to shareholders	(600)	(600)
Deferred tax on financial instruments (note 15)	(40)	(8)
Deferred tax on share options (note 15)	11	(1)
Corporation tax on share options	1,544	(49)
Dividends paid (note 8)	(3,859)	(3,859)
At 31 December 2019	**(11,149)**	**12,473**

The profit for the financial year dealt with in the financial statements of the Company was £38,687,000 (2018: £11,949,000). 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 £12,473,000 retained earnings, £11,127,000 (2018: £21,099,000) 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 2019 £000	Group Year ended 31 Dec 2018 £000	**Company Year ended 31 Dec 2019 £000**	Company Year ended 31 Dec 2018 £000
Profit before tax for the year from:				
Continuing operations	**8,775**	7,263	**38,687**	11,949
Discontinued operations	**22,961**	9,079	**–**	–
Profit before tax including discontinued operations	**31,736**	16,342	**38,687**	11,949
Adjustments for:				
Depreciation	**1,844**	1,869	**127**	130
Overseas taxation provision	**713**	–	**–**	–
Amortisation	**1,392**	1,938	**–**	–
Share-based payment expense	**1,033**	1,074	**108**	228
Gain on sale of subsidiary, excluding direct costs incurred	**(23,657)**	(3,237)	**(30,236)**	–
Finance income	**(158)**	(47)	**(5)**	(5)
Finance costs	**326**	480	**77**	267
Dividend income, net of intra-group dividend paid	**–**	–	**(13,000)**	(7,057)
Changes in working capital excluding the effects of acquisition:				
Decrease/(increase) in receivables	**1,493**	(2,040)	**(54)**	124
Increase/(decrease) in payables	**3,900**	(1,357)	**(235)**	258
(Decrease)/increase in provisions	**(202)**	20	**–**	–
Cash generated from/(used in) operations	**18,420**	15,042	**(4,531)**	5,894
Cash generated from/(used in) operations is from:				
Continuing operations	**15,295**	8,266	**(4,531)**	5,894
Discontinued operations	**3,125**	6,776	**–**	–
	18,420	15,042	**(4,531)**	5,894

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28 Discontinued operations

28 (a) Description

On 30 May 2019, the Group announced that it had entered into an agreement to sell the entire issued share capital of Microgen Financial Systems Limited, to Moscow Bidco Limited, a newly incorporated private limited company controlled by Silverfleet Capital Partners LLP, for consideration of £51.4 million. The disposal was approved by Aptitude Software Group plc's shareholders at a General Meeting held on 24 June 2019, with completion of the disposal effective on 28 June 2019 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below, with the gain on disposal being presented within the profit from discontinued operation (see analysis in 28(b) below).

28 (b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period 1 January 2019 to 28 June 2019 along with the year ended 31 December 2018.

Income statement	**Period from 1 Jan 2019 to 28 June 2019 £000**	Year ended 31 Dec 18 £000
Revenue	**8,089**	18,012
Operating costs	**(4,866)**	(11,048)
Adjusted Operating Profit	**3,223**	6,964
Non-underlying items	**(540)**	(1,092)
Gain on disposal of subsidiary (note 29)	**–**	3,237
Operating profit	**2,683**	9,109
Finance income	**2**	1
Finance costs	**(29)**	(31)
Profit before income tax	**2,656**	9,079
Income tax expense	**(531)**	(702)
Profit after tax from discontinued operation	**2,125**	8,377
Gain on disposal of subsidiary after tax (see (c))	**20,305**	–
Profit from discontinued operation	**22,430**	8,377
Other comprehensive income		
Items that will or may be reclassified to profit or loss:		
Currency translation gain	**22**	11
Total comprehensive income for the year arising from discontinued operations	**22,452**	8,388
Profit from non-underlying items is generated from:		
Non-underlying operating costs	**(540)**	(1,092)
Gain on disposal of subsidiary	**20,305**	3,237
Income tax credit	**116**	276
	19,881	2,421
Cash flow statement		
Net cash generated from operating activities	**3,125**	6,776
Net cash generated from investing activities (2019 includes an inflow of £47,152,000 from the sale)	**47,078**	6,617
Net cash generated from/(used in) financing activities	**554**	(14,781)
Net increase/(decrease) in cash generated by the subsidiary	**50,757**	(1,388)

28 (c) Details of the sale of the subsidiary

The book value of the net assets disposed of in the transaction and the gain arising on disposal are as follows:

Net assets disposed	Book value £000
Property, plant and equipment	**1,213**
Goodwill	**25,006**
Intangible assets	**6,308**
Other long-term assets	**257**
Deferred income tax asset	**302**
Trade and other receivables	**3,267**
Cash and cash equivalents	**4,259**
Trade and other payables	**(9,299)**
Capital lease obligations	**(815)**
Current income tax liabilities	**(1,298)**
Provisions for other liabilities and charges	**(132)**
Deferred tax liabilities	**(1,314)**
NET ASSETS	**27,754**
Consideration received	
Proceeds received on completion	**51,411**
Less: direct costs incurred	**(3,352)**
	48,059
Gain on disposal excluding direct costs incurred	**23,657**
Gain on disposal	**20,305**

28 (d) Reconciliation of the 2018 consolidated Income Statement

The table below provides a reconciliation of the consolidated Income Statement for the year ending 31 December 2018 to the presentation in the prior year Annual Report.

	Year ended 31 Dec 2018		
	Continuing operations £000	Discontinued operations £000	**Total £000**
Revenue	52,274	18,012	**70,286**
Operating costs	(43,499)	(11,048)	**(54,547)**
Non-underlying costs	(1,109)	(1,092)	**(2,201)**
Gain on disposal of subsidiary (note 29)	–	3,237	**3,237**
Operating profit	7,666	9,109	**16,775**
Finance income	46	1	**47**
Finance costs	(449)	(31)	**(480)**
Net finance costs	(403)	(30)	**(433)**
Profit before income tax	7,263	9,079	**16,342**
Income tax expense	(1,847)	(702)	**(2,549)**
Profit for the year	5,416	8,377	**13,793**

Notes to the
Consolidated Financial Statements

29 Disposals

On 2 July 2018 the Group disposed of the entire share capital and voting rights of Microgen Banking Systems Limited, a subsidiary of Microgen Financial Systems Limited which, at the point of disposal, formed part of the Group for consideration in cash of £6.9 million.

The net assets disposed of in the transaction along with the gain on disposal calculation are as follows:

	Book value £'000
Net assets disposed	
Property, plant and equipment	51
Goodwill	4,008
Trade and other receivables	502
Cash and cash equivalents	130
Trade and other payables	(440)
Deferred income	(905)
Deferred income tax liability	(1)
NET ASSETS	3,345
Consideration received	
Proceeds received on completion	6,900
Less direct costs incurred	(318)
	6,582
Gain on disposal excluding direct costs incurred	3,555
Gain on disposal	3,237

Microgen Banking Systems Limited generated revenue of £1.7 million and £1.0 million profit before non-underlying items and intra-group recharges in 2018 whilst under the Group's ownership. Prior to the sale, the trades of the Group's Cortex and Musketeer products were transferred into Microgen Solutions Limited, a fellow Group subsidiary. These trades generated revenue of £0.9 million and £0.6 million profit before non-underlying items and intra-group recharges in 2018 whilst under the ownership of Microgen Banking Systems Limited. The remaining £0.8 million of revenue and £0.4 million profit before non-underlying items and intra-group recharges was generated by the Payments software business, the trade held by Microgen Banking Systems Limited on disposal.

During the prior year, the amount of goodwill allocated on disposal has been calculated based on comparing the profits generated by the trade of the Group's Payments business being disposed against the overall profits of the Microgen Financial Systems business over a period of 36 months prior to the date of sale. This value has then been deducted against the carrying value of Goodwill assigned to the Microgen Financial Systems cash generating unit. The remaining goodwill assigned to the Microgen Financial Systems cash generating unit was removed on disposal, see note 28 for details.

30 Commitments

The Group and Company have no commitments other than short term leases or a lease of low-value asset during the year (2018: £nil).

31 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.

266,280 options were granted on 28 October 2019 (2018: 391,304 awards granted). The performance conditions are in line with those described for the Executive Directors on pages 53 and 54.

At the year end there were 28 (2018: 27) employees 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:

	2019		2018	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**2,718,666**	**6.08p**	3,032,296	6.04p
Granted	**266,280**	**7 1/3p**	391,304	6 3/7p
Exercised	**(1,972,001)**	**5.94p**	(252,577)	5.51p
Lapsed	**(15,896)**	**6 3/7p**	(452,357)	6 3/7p
Forfeited	**(116,857)**	**6 3/7p**	–	–
Outstanding at 31 December	**880,192**	**6.72p**	2,718,666	6.08p
Exercisable at 31 December	**–**	**–**	1,279,826	5.59p

1,972,001 PSP share options were exercised in 2019. The weighted average share price at the date of exercise for share options exercised during 2019 under the Share Option Plans was 511p.

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 7.13 years (2018: 6.62 years).

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 3½ years. Following the introduction of a new sharesave scheme in 2018, 252 employees (2018: 275, of which 223 were in relation to the continuing Group) 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.

31 Share based payments (continued)

Details of the share options outstanding under the Share Option Plans during the year are as follows:

	2019		2018	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**1,203,262**	**293.44p**	1,107,907	253.61p
Granted	**267,715**	**598.37p**	234,850	415.27p
Exercised	**(623,320)**	**196.67p**	(41,664)	40.49p
Lapsed	**(165,324)**	**348.23p**	(97,831)	259.60p
Forfeited	**(6,631)**	**447.82p**	–	–
Outstanding at 31 December	**675,702**	**433.51p**	1,203,262	293.44p
Exercisable at 31 December	**32,540**	**188.82p**	–	–

The weighted average share price at the date of exercise for share options exercised during the year under the Share Option Plans was 572.7p (2018: 417.1p).

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 2.34 years (2018: 2.88 years).

Included within the outstanding share options at 31 December 2019 under Share Option Plans and the PSP were outstanding share options of nil (2018: 1,279,826) which whilst outside of the Association of British Insurers recommended limits, have been approved by the Company's shareholders.

The Group recognised total expenses of £1,033,000 (2018: £1,074,000) related to equity-settled share-based payment transactions during the year. After deferred tax, the total charge in the income statement was £1,044,000 (2018: £1,152,000). There was a deferred tax charge of £11,000 (2018: £331,000) and a corporation tax credit of £1,544,000 due to the number of shares exercised in the period (2018: £131,000) taken directly to equity.

The Company recognised total expenses of £108,000 (2018: £228,000) related to equity-settled share-based payment transactions during the year. After deferred tax, the total charge in the income statement was £109,000 (2018: £240,000). There was a deferred tax charge of £1,000 (2018: £7,000) and a corporation tax charge of £49,000 (2018: £12,000) taken directly to equity.

32 Retirement benefit schemes

The Group operates defined contribution retirement benefit plans for qualifying employees in the United Kingdom. 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 from continuing operations recognised in the income statement of £861,000 (2018: £687,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2019, contributions of nil (2018: £67,000, of which £22,000 is in respect of continuing operations) due in respect of the 2019 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.

33 Related party transactions

Group

The following transactions were carried out with related parties:

During 2019, 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. Ivan Martin (Chairman) also acted as a non-executive Director up until the 5 March 2019 when he stood down from his role. FDM Group (Holdings) plc provided consultancy services to the Group during the year at a cost of £762,000 (2018: £231,000).

During 2019, the Group entered into transactions with Phoenix Johnson Ltd, a company for which Naomi Johnson (an experienced facility management professional), the wife of Tom Crawford (former Director), is both the sole shareholder and an employee. Phoenix Johnson Ltd provided consultancy services to Aptitude Software Group plc up until 1 November 2019 when these services ceased at a cost of £57,000 (2018: £67,000).

The Company acts as the Group's treasury vehicle and during the year owed a net £3,423,000 to its subsidiary companies (2018: owed from its subsidiary companies £1,579,000).

There were no further related party transactions in the year ended 31 December 2019 (2018: nil), as defined by International Accounting Standard No 24 "Related Party Disclosures" other than key management compensation as disclosed in note 4.

Shareholder **Information**

Size of shareholding	Number of shareholders	Percentage of total Shareholders	Number of shares	Percentage of total issued shares
1 – 1,000	577	57.30%	175,983	0.31%
1,001 – 5,000	206	20.46%	481,531	0.86%
5,001 – 50,000	122	12.11%	2,060,146	3.66%
50,001 – 500,000	70	6.95%	10,693,912	19.02%
500,001 – above	32	3.18%	42,808,512	76.15%
Total	**1,007**	**100.00%**	**56,220,084**	**100.00%**

Investor Type	Number of shares	Percentage of total issued shares
Nominee Companies	46,115,881	82.03%
Bank & Bank Nominees	4,455,965	7.93%
Private Shareholders	2,091,676	3.72%
Pension Funds	795,460	1.41%
Limited Companies	59,683	0.11%
Other Institutions	2,673,480	4.75%
Deceased Shareholders	27,939	0.05%
	56,220,084	**100.00%**

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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 Asset Services.

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 10.00 a.m. on Tuesday, 28 April 2020 at Old Change House, 128 Queen Victoria Street, London EC4V 4BJ. 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.

Aptitude Software provides software solutions that enable finance professionals to run their global businesses, forecast decision outcomes, and comply with complex regulations. Uniquely combining deep finance expertise and IP rich technology, Aptitude gives finance leaders the tools they need to transform their business and achieve their ambitions.

Aptitude is proud to have served the offices of finance for over 20 years, delivering financial control and insight to create a world of financial confidence for our global clients.

Aptitude Software supports businesses with combined revenues approaching $1 trillion and over 500 million end clients. Headquartered in London, Aptitude Software is an operating company of Aptitude Software Group plc.

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