Aptitude SOFTWARE

Creating a world of **financial confidence**

ANNUAL REPORT 2020

Aptitude Software Group 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. He has no other significant commitments.

Jeremy Suddards

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. 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 Senior Independent Director and Chair of the Remuneration Committee of FDM Group (Holdings) plc, a Non-Executive Director and Chair of the Renumeration Committee of D4T4 Solutions plc and Non-Executive Chair of Kooth plc. Peter is also currently a Senior Independent Director and Chair of the Audit Committee of Keystone Law Group plc, although he will be standing down from this board in May 2021 following the release of its January 2021 results.

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.

Georgina Sharley

Company Secretary

Georgina Sharley was appointed as Company Secretary on 10 December 2018. She is a member of The Chartered Governance Institute and has 20 years' experience in supporting United Kingdom listed companies and groups with fulfilling their corporate governance and statutory compliance obligations.

Independent Auditor

Grant Thornton UK LLP
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London
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Financial Advisors and Stockbroker

Investec Bank plc
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London
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About Aptitude Software

Aptitude Software's innovative solutions address the growing trend for finance automation, whether part of a broad finance transformation by a client or to address specific regulatory requirements. Our various products take data from complex systems, typically with multiple siloed data sources across multiple business entities, perform complex accounting calculations and create a unified view of finance. This allows our clients to reap numerous benefits including significant efficiencies, 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.

Key Operational and **Financial Highlights**

Year ended 31 December	2020	2019[1]	% Change
Annual Recurring Revenue[2] at year end	£31.2m	£28.1m[3]	11%
– Software and subscription revenue	£30.5m	£28.5m	7%
– Implementation and solution management services revenue	£26.8m	£31.2m	(14%)
Total Revenue	£57.3m	£59.7m	(4%)
Cash and cash equivalents at year end	£44.8m	£33.0m	36%
Adjusted Operating Profit[4]	£9.1m	£10.5m	(13%)
Statutory operating profit	£8.1m	£8.9m	(9%)
Adjusted Basic Earnings per Share[4]	13.2p	12.8p	3%
Basic Earnings per Share	12.5p	11.2p	12%

- The Group has remained agile and resilient to the impact of the pandemic despite the initial disruption to a number of our key markets in the second and third quarter of 2020
- Year on year growth in Annual Recurring Revenue ('ARR') of 11% on a constant currency[3] basis driven by new business wins and the expansion of existing customer relationships
- Highlighting both the strength of our client relationships and quality of product suite, net retention[5] in the year despite the impact of Covid was 102% (2019: 98%)
- Software and subscription revenue, the strategic focus of the Group, now represents 53% of total revenue (2019: 48%) with growth of 7% to £30.5 million for the year ended 31 December 2020 (2019: £28.5 million)
- Strong balance sheet with cash of £44.8 million (2019: £33.0 million), net funds[6] of £42.9 million (2019: £30.8 million[5]) and no bank loans. This financial strength provides confidence to our clients and prospects whilst positioning the business well for potential acquisition opportunities

Strategic and Operational Highlights:

- Launch of Aptitude Accounting Hub and Aptitude Insurance Calculation Engine as Software-as-a-Service ('SaaS') offerings, multi-year SaaS agreements signed with two North American insurers
- Multiple sales of Aptitude Revenue Management to North American technology and telecommunication companies
- First SaaS agreement for the use of both Aptitude Revenue Management and Aptitude Lease Accounting Engine with a leading global medical technology company. This success further demonstrates the additional capabilities realisable by clients from combining more than one of the Group's tightly integrated and complementary applications
- Expansion of the use of our products in several existing clients including a North American telecommunications company licencing its fourth application and a significant Aptitude Accounting Hub sale to a European bank
- Strengthening of the global partner network with new propositions developed in 2020 providing access to new markets
- Implementation services capacity reduced following market disruption, future growth in demand for services expected to be increasingly fulfilled by the Group's strengthening partner network
- The pandemic is expected to accelerate the stimulus for organisations to undertake greater finance automation in the medium term supporting the Group's investment in the products which address these requirements

Throughout this report:

1 Amounts represent continuing operations which exclude the results of the Microgen Financial Systems business 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 2020 results with 2019 results retranslated at the rates of exchange prevailing during 2020. 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 exclude non-underlying operating items, unless stated to the contrary. Further detail in respect of the non-underlying operating items can be found within Note 2 of the notes to the Financial Statements.

5 Net retention is the total value of on-going Annual Recurring Revenue at the year-end from clients in place at the start of the year as a percentage of the opening Annual Recurring Revenue from those clients on a constant currency basis

6 Net funds represents cash and cash equivalents less finance obligations, which are currently limited to capital lease obligations

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 strategic and operational progress in a year in which the Group's key markets were disrupted by the onset of the pandemic.

In the initial months of Covid, a number of sales and implementations were slowed as organisations focused on other priorities, however, a more typical business environment returned in the final quarter of the year with several new business contracts completed. Whilst below the pre-pandemic new business expectations for 2020, overall the Group achieved a good number of new business wins and contract expansions in the banking, insurance and technology, media and telecom ('TMT') sectors demonstrating the strength of the Group's product portfolio and sector diversity. These additions led to Annual Recurring Revenue increasing to £31.2 million as at 31 December 2020, representing year on year growth of 11% on a constant currency basis (31 December 2019: £28.1 million, 30 June 2020: £29.3 million, both restated for the prevailing exchange rates at 31 December 2020).

From the onset of the pandemic the Group remained both agile and resilient with all business functions, including those servicing our diverse client base, operating seamlessly. This would not have been possible without the exceptional quality of our people and the Board wishes to thank our employees for their adaptability, commitment and the excellent support and dedication they provided, and continue to provide, to the business and to our clients whilst working remotely.

Benefitting from the previously planned investment, the Group launched the Aptitude Accounting Hub and Aptitude Insurance Calculation Engine as SaaS offerings allowing the business to capitalise on the accelerated move to cloud experienced in the year with all key products now available as SaaS. Following this launch the Group entered into multi-year SaaS agreements with two North American insurers helping drive the strong final quarter's sales performance.

Strengthening the Group's high-quality partner network, a strategic focus, has also been achieved with a number of joint propositions established in the year providing the business with access either to new geographies for specific products or to segments of existing markets not previously accessible.

The Board believes the pandemic will accelerate the stimulus for organisations to undertake finance automation to further transform their finance functions, removing manual processes and improving the quality and regularity of their financial analysis and planning, a capability which is central to our product strategy.

Dividend

Having considered the Group's progress and financial performance in 2020, the Board has proposed to maintain dividend levels. As a result, a final dividend of 3.60 pence per share is proposed (2019: 3.60 pence), making a total ordinary dividend of 5.40 pence per share for the year (2019: 5.40 pence). Subject to shareholder approval at the Group's Annual General Meeting in April 2021, the proposed final dividend will be paid on 28 May 2021 to shareholders on the register at 7 May 2021.

The business has not utilised the furlough scheme nor received any other government support in the United Kingdom nor in any other country where it operates.

Outlook

Aptitude Software continues to benefit from a focused portfolio of product and service offerings, an established SaaS capability, increasing worldwide presence and a strengthening partner network. The Group's robust set of financials complemented by a strong new business performance across the final quarter of 2020 provide the Board with confidence for the year ahead.

Ivan Martin
Chairman

9 March 2021

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 worldwide client base enabling them to achieve significant benefits such as automation of their finance function, enhanced financial control, deeper operational intelligence and regulatory compliance. Our markets are underpinned by strong fundamentals as technology advancement both drives and facilitates an increasingly automated approach to finance operations, augmented by the continuing impetus 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 clients in a series of other advanced 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 recurring support services including the growing solution management service. Development, together with an increasing number of other client focused services, continues to be performed at the Aptitude Innovation Centre in Wroclaw, Poland, with sales, support and implementation services provided from Aptitude Software's London headquarters and the North American and Singaporean regional businesses.

Corporate Strategy

Aptitude Software's strategy is focused on providing powerful financial management software to large international businesses.

The Group executed on a number of strategic activities during 2020, with details of these provided in the sections below. These activities are focused on driving an acceleration of growth in the software and subscription revenues which now represent 53% of overall revenue (2019: 48%). The growth in the proportion of such revenues in the business will, in due course, lead to both an increase in operating margins, given the higher margins achievable from these recurring revenues, and even greater future revenue visibility.

Software-as-a-Service ('SaaS') Progression

A key strategic highlight in the year has been the launch of Aptitude Accounting Hub ('AAH') and Aptitude Insurance Calculation Engine ('AICE') as SaaS offerings and the subsequent entry into multi-year SaaS agreements with two North American insurers for this new service. The launch expands the Group's existing SaaS capabilities and allows the business to deploy all its key products using this service, capitalising on the accelerated move to the cloud that the industry has experienced in 2020. The availability of these solutions as SaaS, reducing the demands on clients' internal capabilities and reducing implementation times and costs, is also expected to facilitate the greater use of our technology by more organisations smaller in size than the Group's current client profile, thereby expanding our market opportunity.

Most new clients are expected to deploy the Group's software through our SaaS offering, (though an acceleration in the migration of existing on-premise clients to SaaS is not anticipated in the short term given the investment in clients' infrastructure supporting our technology). This dynamic will lead to further growth in SaaS subscription fees as a proportion of Annual Recurring Revenue which had increased to 23% as at 31 December 2020 (2019: 17%).

Whilst the revenue model for Aptitude Software's SaaS agreements is aligned with the existing licencing of our on-premise software sales, the margins generated by SaaS deployments are lower than on-premise software as a result of incurring third-party technology costs and the provision of a level of embedded technical services within the SaaS offering. Cost efficiencies are expected to be realised in the medium term as the Group progresses with its planned investment in both its cloud infrastructure and the technical evolution of its products.

Partner Network

A strategic priority for the Group continues to be the growth and development of Aptitude Software's high-quality partner network with a number of joint new propositions developed in the year. These propositions have further strengthened our partner programme which includes deepening relationships with the Big 4 accounting firms and provides the business either with access to new geographies for specific products or with the targeting of segments of existing markets not previously accessible by the Group.

Whilst many prospects are sourced directly by the Group's own sales and marketing teams, the global reach of our partners and the depth of their relationships with large businesses provide Aptitude Software with an increasing number of opportunities, enhanced market coverage and intelligence. In addition to the new business benefits provided by the partner network, the implementation expertise and capabilities of our partners supports the Group's strategic drive to increase the proportion of software and subscription revenues.

Investment has increased in the year in both the partner management team and the education and enablement of our partners to sell, implement and support our products. We expect this enablement to facilitate an uplift in the level of services being performed by partners leading to a richer revenue mix for the business through an increased weighting towards software revenue.

Expanding Client Presence

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.

Investments in strategic account management teams in each of our regions has resulted in a number of successes in 2020 including the entry into a SaaS subscription agreement with an existing client (a leading North American telecommunications company) for the use of Aptitude Lease Accounting Engine ('ALAE'). ALAE is the fourth of Aptitude Software's products licenced by the client and further demonstrates the additional capabilities realisable by using more than one of Aptitude Software's tightly integrated and complementary applications. A further success was the licencing in the first half of 2020 of Aptitude Accounting Hub ('AAH') to an existing leading European banking client as a key component of their finance transformation to support the increased reporting requirements of up to 18 countries. Sales to existing clients represented approximately one third of new contract additions to ARR in 2020.

Product Evolution

The Group continues to evolve its product set to address the requirements of finance functions that are increasingly being challenged by the demands of operating in a digital world with growing regulatory and cost pressures. These demands result in an increase in the complexity, volume and number of sources of finance data, and the increasing requirement for decision making to move at the pace of the business in real time.

Our products are moving towards a deeper focus on user experience as clients increase their expectations of the operational intelligence and insights required to support more forward-looking scenario planning. Investment is being increased to ensure the Group retains its advantages over its competition, both in the technology architecture and functionality of existing products as well as the development of new capability to meet the evolving market requirements.

Acquisitions

Aptitude Software's corporate strategy is focused on organic growth, however, the Group's strong financial position, together with its experience of successfully identifying and integrating acquisitions, provides the Board with the opportunity to accelerate growth. Any acquisition will be expected to focus on the acceleration of the product strategy and / or entry into new markets for Aptitude Software.

Aptitude Innovation Centre

Investment continues in the team at the Aptitude Innovation Centre, our long-established integrated centre of excellence in Poland which continues to be a material differentiator for the Group. The Aptitude Innovation Centre encompasses the development of the Group's entire product suite and is also increasingly becoming a 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.

Headcount at the Aptitude Innovation Centre increased by 18% in the year to 162. In addition to recruitment for activities such as cloud operations and support, growth continued in both new and existing product development teams as investment in the evolution of our technology increased.

Chief Executive Officer's **Report**

Our People

The exceptional quality and adaptability of our people has ensured all business functions have continued successfully despite the impact of the pandemic. The team is very talented, committed and works incredibly hard. The Board wishes to thank its employees in these difficult times both for their outstanding commitment and the excellent support they are providing to the business and to our clients and partners whilst working remotely.

During the year a number of investments in our team were initiated. Aptitude Software's training and enablement function has been strengthened whilst a number of initiatives focused on individuals' career development across the business are progressing well. The Group will continue to develop its internal talent as well as recruiting the best external skills to help us capitalise on the market opportunity.

Our Products

Aptitude Accounting Hub

The Group continues to leverage the capabilities of the Aptitude Accounting Hub ('AAH'), securing new agreements with a number of organisations as they seek to automate and transform their finance functions. These successes included subscription agreements with leading North American insurers.

Supplementing this new business growth was the entry into a strategic contract to licence AAH to the retail arm of an existing major European banking client. Our technology will be a core component of a five-year finance transformation programme automating the bank's finance & reporting processes, demonstrating once again Aptitude Software's capabilities in finance automation over and above smart compliance. The contract provides for increased future growth in Annual Recurring Revenue as AAH is deployed to countries beyond the initial deployment scope.

The opportunity for AAH remains significant across all our key industries and is central to Aptitude Software's approach in addressing organisations' need to drive finance automation to continue the transformation of their finance functions. This is supported by recent publications from industry analysts who have recognised the increasing importance of an accounting hub in modern finance architecture. 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 specialised accounting calculation engine such as Aptitude Revenue Management.

Aptitude Revenue Management

The Group's two revenue management applications, Aptitude Revenue Recognition Engine and Aptitude RevStream, collectively Aptitude Revenue Management ('ARM'), have continued to make good progress in the year. Included within the new business contracts signed in the year were material subscription agreements for Aptitude RevStream with a large North American technology business and a leading medical technology company who subscribed for the use of the Aptitude RevStream application concurrently with the Aptitude Lease Accounting Engine, the first combined SaaS agreement of its kind. A significant sale of the telco-focused Aptitude Revenue Recognition Engine into North America was also achieved.

The two applications within ARM enable 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 such as the introduction of new products in different markets.

Aptitude Insurance Calculation Engine

Further progress with the Aptitude Insurance Calculation Engine ('AICE') has been achieved in 2020 following the previously outlined delay to the introduction of IFRS 17 (which will now become effective for accounting periods commencing 1 January 2023). In addition to the SaaS agreements signed with North American insurers in the final quarter of 2020, a further significant sale was made to a European insurer in the opening months of 2021.

AICE is a strategic, transformational investment providing value to an insurer beyond compliance. It enables data insights and decision support delivering long-term business benefits. Demonstrating the capabilities of AICE, during the year Aptitude Software was recognised as a category leader in "IFRS 17 Technology Solutions: Market and Vendor Landscape 2020", a Chartis Research report that assesses leading vendors of IFRS 17 and Long Duration Targeted Improvement ('LTDI') solutions.

The compliance-focused elements of the application mean that opportunities remain for this application as the effective date of IFRS 17 adoption moves closer, not only in the large insurer market where successes to date have been achieved but also across small and mid-sized participants who have yet to finalise their plans.

AptConnect 2020

After a successful inaugural AptConnect in 2019, the business hosted the second annual event in November 2020. The event was hosted via a market-leading virtual event platform, which enabled the business to welcome guests from 4 continents and some 14 countries, bringing together over 500 people representing our clients, partners and prospects. The conference covered a range of topics from the digitisation of the finance department to the launch of Aptitude Accounting Hub and Aptitude Insurance Calculation Engine as SaaS. The agenda included speakers from our existing client base detailing their own successful implementation journeys of the Aptitude Software product suite along with talks from our partners covering the post-pandemic need to automate finance.

Our Services

Implementation Services

Aptitude Software provides implementation services to its clients, with the scale of such services depending on the nature of the application, the size of the opportunity and the balance of responsibilities between Aptitude Software and its partners. Following on from the investment made in 2020, the business continues to invest in the expansion and enablement of its partner network to facilitate their ability to implement Aptitude Software's product suite reliably and efficiently. Whilst this enablement will lead to a greater proportion of services being provided by partners, it remains important to maintain a high quality delivery capability to ensure that the Group can continue to provide its expertise to both support partners and to those clients who wish to receive our services directly.

Whilst utilisation has been resilient, Covid disrupted a number of sales opportunities during the middle quarters of 2020. Due to the Group's long implementation cycles, services revenue will be most impacted by this disruption in 2021 and this has in turn resulted in a reduction in the Group's implementation services capacity. The investment in our partner strategy means that we expect future growth in demand for services to be increasingly fulfilled by the Group's strengthening partner network. This in turn will allow the Group to drive future margin progression and revenue visibility by improving the percentage of revenues from software and subscription fees.

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 ('SMS'), with multiple Aptitude Accounting Hub, Aptitude Insurance Calculation Engine and Aptitude Revenue Management clients contracting for this service across the Group's key sectors and geographies in 2020.

This service extends the responsibilities of Aptitude Software beyond traditional software maintenance services to include those that have typically been performed by the clients' own IT teams. These include the monitoring of system performance, 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 them with efficiencies and allowing them to focus on their core business activities. We expect the service (which continues to be a focus of investment in the business) to enhance the operation and longevity of applications within major clients, while the long

Chief Executive Officer's **Report**

term and recurring nature of the associated income is expected to provide greater certainty and visibility to the Group's services revenues.

Global Presence

Aptitude Software's opportunity is worldwide with an established presence in APAC, Europe and its largest market, North America, which represents 59% of Annual Recurring Revenue ('ARR'). This global reach is supported by the Group's principal offices in London, Poland, Boston and Singapore.

Whilst activities in APAC, non-EU European states and North America 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 (2020 revenue from European Union states excluding the United Kingdom was £8.6 million). Whilst travel requirements have been limited during 2020 due to Covid, prior to this, certain employees travelled frequently between these countries.

New country by country guidance took effect from 1 January 2021 and it is our expectation that our travel requirements remain viable but will necessitate some additional planning and administration. The business has considerable experience in obtaining work permits to deploy its highly skilled consultants across the world, and benefits from the flexibility provided by its partner network. The remote working arrangements put in place as part of the pandemic continuity plan will also be of benefit, providing an alternative to physical travel where appropriate. The business is continuing to clarify the situation; however, the Group is well-placed to identify and react quickly to further changes in the operating conditions. The Group also has the option of expanding the consulting capability of the Aptitude Innovation Centre, which is located within the European Union.

Outlook

Benefitting from a strong new business performance in the final quarter of 2020 and a good pipeline, Aptitude Software looks forward to 2021 with confidence and anticipates a financial outcome at least consistent with 2020.

Jeremy Suddards
Chief Executive Officer

9 March 2021

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

Revenue

Software and Subscription Revenues

Aptitude Software's Annual Recurring Revenue ('ARR') at 31 December 2020 totalled £31.2 million (31 December 2019: £28.1 million, 30 June 2020: £29.3 million, both restated for the prevailing exchange rates at 31 December 2020), representing year on year growth of 11% on a constant currency basis.

ARR is the key financial metric for the Group. Included within ARR are Aptitude Software's annual licence fees and maintenance for its on-premise clients and subscription fees for the Group's SaaS clients. The proportion of clients deploying software using SaaS has continued to grow with SaaS subscription fees accounting for 23% of the total ARR at 31 December 2020 (2019: 17%).

Highlighting both the strength of our client relationships and the quality of our product suite, net retention in the year despite the impact of the pandemic was 102% (2019: 98%) (measured by the total value of on-going ARR at the year-end from clients in place at the start of the year as a percentage of the opening ARR from those clients on a constant currency basis).

Software and subscription revenues recognised in 2020 increased by 7% to £30.5 million (2019: £28.5 million). These now represent 53% of overall revenue (2019: 48%). 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 given the margin differential between software and services revenues.

Implementation and Solution Management Services

Services revenue totalled £26.8 million for the year ended 31 December 2020 (2019: £31.2 million) of which 89% is attributable to the implementation of our software with the balance of 11% generated from solution management services which, whilst not included in the Group's Annual Recurring Revenue, are recurring in nature. Implementation services revenue reduced in the year due to the disruption to our key markets related to the pandemic. Due to the Group's long implementation cycles, some further reduction is anticipated in 2021.

Research and Development Expenditure

Total expenditure on product management, research and development in the year ended 31 December 2020 was £8.5 million (2019: £9.3 million). Despite an 18% overall headcount increase at the Aptitude Innovation Centre in 2020, the above costs were lower than 2019 due to the material savings from relocating development activities for the Aptitude RevStream product from California to Poland as well as a reduction in travel costs as a result of Covid. Investment will continue as previously planned in 2021 with costs expected to increase by approximately 20%.

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

Operating Profit and Margins

Adjusted Operating Profit and operating profit on a statutory basis for the year ended 31 December 2020 were in line with management expectations at £9.1 million and £8.1 million respectively (2019: £10.5 million and £8.9 million). Adjusted Operating Margin for the period remained resilient at 16% (2019: 18%) despite the Group continuing to prioritise essential investment across a number of functions.

Foreign Exchange

With 52% (2019: 53%) of the Group's revenues being generated from North American clients, the majority of which are invoiced in US Dollars, the business is impacted by changes in the US dollar exchange rate. Aptitude Software's 2019 revenue and Adjusted Operating Profit would have been reported at £59.1 million and £10.3 million respectively on a constant currency basis (compared to actual result of £59.7 million and £10.5 million). Constant currency is calculated by comparing the 2020 results with 2019 results retranslated at the rates of exchange prevailing during 2020.

Whilst the Group's exposure to volatility in the US Dollar exchange rate in the short term is limited, in the medium term the impact becomes more material, notwithstanding the Group's significant US cost base, as the proportion of both fixed US Dollar software revenue (translated at the point of invoicing) and hedged US Dollar service revenues reduce. From

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

30 June 2020 to 9 March 2021, the US Dollar has weakened by 13% against the pound reducing the value of Aptitude Software's ARR reported at 30 June 2020 by £1.8 million.

Due to the benefits of the Group's US cost base, the policy of translating software revenue at the point of invoice and hedging services revenue, the profit impact for 2020 was minimal with 2021 only partially impacted.

Non-Underlying Items

Non-underlying items of £1.0 million (2019: £1.6 million) principally comprise intangible amortisation (£0.8 million), with the remaining amount in relation to the final separation costs incurred as part of the disposal of the Microgen Financial Systems business in 2019.

Taxation

The total tax charge after adjusting for the impact of non-underlying items of £1.6 million (2019: £3.3 million) represents 18.1% of the Group's profit before tax (2019: 24.2%), with the reduction against the United Kingdom corporate tax rate of 19% and 2019 levels due to the Group's ability to receive additional tax relief on its research and development expenditure. This additional relief is expected to continue into future years.

Statutory Results

The Group reported a profit for the period attributable to equity shareholders of £7.0 million (2019: £29.2 million). The profit in 2019 includes £22.4 million from discontinued operations in respect of the Microgen Financial Systems business disposed of on the 28 June 2019.

Earnings per Share

As a result of the return of capital in September 2019 and accompanying share consolidation, Adjusted Basic Earnings per Share and Basic Earnings per Share from continuing operations increased to 13.2 pence and 12.5 pence (2019: 12.8 pence and 11.2 pence), growth of 3% and 12% respectively.

Dividend

A final ordinary dividend of 3.60 pence per share is proposed (2019: 3.60 pence), making a total ordinary dividend of 5.40 pence per share for the year (2019: 5.40 pence). The business has not utilised the furlough scheme nor received any other government support in the United Kingdom nor in any other country where it operates.

Balance Sheet

The Group continues to have a strong balance sheet with net assets at 31 December 2020 of £50.6 million (2019: £46.4 million), including cash of £44.8 million (2019: £33.0 million), net funds of £42.9 million (2019: £30.8 million) and no bank loan. Trade receivables (net) have reduced to £5.9 million (2019: £7.2 million), a reduction of £1.3 million due to both strong year end cash collection and the reduction in services invoicing in 2020. The growth in the Group's recurring revenues resulted in deferred income increasing to £25.7 million at 31 December 2020 (2019: £22.8 million). The Group's cash collection disciplines remain strong with DSO (debtor days) at 31 December 2020 of 40 (2019: 60).

Cash Generation

Cash generated from continuing operations improved to £16.2 million (2019: £18.4 million, of which £15.3 million was in relation to the continuing business), with the Group's overall cash balance increasing by £11.9 million in the year. Whilst this increase is principally due to the Group continuing to benefit from a growing recurring revenue base with customers typically paying annually in advance, the cash position has also improved through a reduction in tax payments and improved working capital pursuant to the lower services revenue in the year.

Principal risks and uncertainties

The Group's principal risks and uncertainties are set out on pages 17 to 19 within the Directors Report.

Philip Wood
Deputy Chief Executive Officer and Chief Financial Officer

9 March 2021

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

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

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

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

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

Workforce engagement

The Board is fully committed to ensuring that the opinions of employees across all regions and business areas are regularly sought and factored into its decision-making process. The Group has put in place extensive measures to engage with its employees and these are described in full in the Directors' Report on pages 22 to 23, including practical examples of how these have been applied during the year. Through these engagement activities the Board is able to gather opinions and ideas from the wider workforce, identify any communication gaps or common areas of concern and address these through the Group's activities.

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

Shareholder engagement

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

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

During 2020 the Group consulted specifically with its major investors on its 2020 remuneration strategy and responded in full to any queries that arose during this process. No significant concerns were raised by investors during this process. Further details of this can be found in the Directors' Remuneration Statement on page 41.

Client engagement

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

The Group seeks direct engagement with clients through regular Client Advisory Boards in each region and these directly inform its product development and innovation strategies. The Group also holds an annual 'AptConnect' conference for clients and its partner network with clients encouraged to actively contribute to wide-ranging discussions. AptConnect 2020 was held as a virtual conference and saw record client attendance levels.

Strategic partner engagement

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

Supplier engagement

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

Engagement with the wider community

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

The Group operates a charitable donation scheme whereby it will match the funds raised by employees for specific charities (on a £ for £ basis) up to £500 per event. The Group also organises regular activities to increase awareness and raise funds for its chosen charities both in the United Kingdom and internationally. Charities and good causes that the Group raised funds for during 2020 included 'Mind' and the NHS in the United Kingdom and various organisations supporting healthcare workers and families in need in the Group's Poland and North America regions. The Group's charitable activities are co-ordinated by its regional social committees and employees are actively encouraged to partake in them at a regional level. The Group has also arranged a number of online activities to support family members of employees during the pandemic, such as sharing remote learning resources and competitions for children.

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

The environment

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

The Board is committed to providing stakeholders with an increasing amount of transparency on its environmental credentials and this year the Group has expanded its energy and carbon reporting disclosures. The Group has seen a significant reduction in its carbon emissions from 2019 to 2020, largely due to reductions in office spaces, and it has also taken a number of other measures that incrementally reduce energy consumption. Details of these and our emissions reporting can be found in the Directors' Report on pages 24 to 26.

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

Maintaining a reputation for high standards of business conduct

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

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

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

Ensuring that members of the Company are treated fairly

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

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

By Order of the Board

Philip Wood
Deputy Chief Executive Officer and Chief Financial Officer

9 March 2021

Report of the Directors

The Directors of Aptitude Software Group plc (the “Company”) present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

Results and Dividends

The results for the year are set out in the financial statements and notes that appear on pages 77 to 133. 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 (2019 total: 5.4 pence). Subject to shareholder approval, the proposed final dividend will be paid on 28 May 2021 to shareholders on the register at close of business on 7 May 2021.

The ordinary dividends paid in 2020 totalled £3.0 million (2019: £3.9 million). In 2019, the Group reset its dividend level following the disposal of the Microgen Financial Systems business.

Principal Activities

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

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.

Post Balance Sheets Events

Details of the Post Balance Sheet Events for the Group are detailed within note 32 to the financial statements.

Future Developments

Details of the Group’s future developments are provided within the Strategic Report, see the Chief Executive Officer's Report on page 4 for details.

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 31 risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate such risks where feasible. Tools used by the Board to monitor key risks include the regular review of risk-rated dashboards and project status reports, as well as ad-hoc updates on potential emerging risks that could threaten the Group’s performance or achievement of its strategic objectives, such as competitor activity and regulatory change. Where new risks are identified, the potential impact of these are assessed, proportionate mitigating actions are put in place, and these are subjected to ongoing review. External advice will be sought where appropriate to support this process, such as the activities of the Internal Audit and Improvement Process described on page 35. The principal business risks for the Group, as structured on 9 March 2021, are set out in the table on pages 17 to 19. The Board’s ongoing review of emerging potential risks has not identified any beyond those detailed in the Principal Risks and Uncertainties detailed on pages 17 to 19, which include the COVID-19 pandemic (“pandemic”) and the implications for the Group of the United Kingdom’s withdrawal from the European Union. As explained on page 24, the Group’s operations have a relatively limited impact upon the environment and therefore climate change has not been identified as an emerging risk in the context of the Group’s activities.

United Kingdom departure from the European Union

On 31 January 2020 the United Kingdom left the European Union (“EU”). The transitional period was completed on 31 December 2020 and new rules on trade, travel, and business for the United Kingdom and EU continue took effect on 1 January 2021. The longer-term economic consequences arising from the United Kingdom’s vote to leave the EU are still uncertain to a degree, given the only recent adoption of the new rules. The Board is closely monitoring the implementation of the new rules and assessing the future impact that these will have upon the Group.

The Group engages in projects to implement its products with clients based in EU countries, and the Group’s consultants and other staff were previously 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. While travel has been limited during 2020 due to the pandemic, prior to this, certain employees travelled frequently between the United Kingdom, Poland and other EU countries.

During the transitional period, there was no change to freedom of movement of people or to existing immigration rules. New country by country guidance took effect from 1 January 2021 and we are ensuring that this is followed in respect of any 2021 travel to EU countries. Experience to date suggests that the Group's travel requirements remain fully workable, but require some additional planning and administration. The remote working arrangements that were put in place as part of the Group's continuity plan will also continue, thus providing an alternative to physical travel where appropriate.

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.

For information, Group revenue from EU countries (excluding the United Kingdom) in 2020 was £8.6 million.

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 pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 pursuant to Regulation (EC) No 1606/2002 as it applies in 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 pursuant to Regulation (EC) No 1606/2002 as it applies in 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.

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.

Report of the Directors

Principal Risks and Uncertainties	Explanation	Mitigating Action
There is substantial competition in the Group's markets which could adversely affect the Group.	Some of the markets for the Group's products are competitive, rapidly evolving and subject to rapid technological change. As a result, the Group expects competition to persist, intensify and increase in the future. There are no substantial barriers to entry into these markets and some of the Group's competitors are large organisations with far greater financial resources than Aptitude 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 high performing development centre. Market trends are carefully monitored to ensure any threats to the Group's competitive position are identified at the earliest opportunity.
The Group's software products may contain undetected errors producing incorrect results or otherwise fail to process data at sufficient speed.	The Group's products involve sophisticated technology that performs critical functions to highly demanding standards. Software products as complex as those offered by the Group might contain undetected errors or failures. If flaws in design, production, assembly or testing of the Group's products (by the Group or the Group's suppliers) were to occur, the Group could experience a rate of failure in its products that would result in substantial repair, replacement or service costs and potential liability and damage to the Group's reputation. The Group will not be able to be certain that, despite testing by the Group and by current and prospective clients, flaws will not be found in products or product enhancements. Any flaws found may cause substantial harm to the Group's reputation and result in additional unplanned expenses to remedy any defects, and liability stemming from such defects, as well as a loss 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.

Principal Risks and Uncertainties	Explanation	Mitigating Action
The Group's activities may result in the loss or disclosure of client data.	The Group is implementing its products and services 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 UK's recent departure from the European Union ("EU") may disrupt the Group's operations and associated revenues.	The Group engages with clients based in EU countries and, prior to the COVID-19 pandemic, employees were previously able to travel freely to those countries to implement projects without the need to obtain visas or work permits. Employees were also previously able to travel freely between the Group's UK office and the Aptitude Innovation Centre in Poland.	The Board continues to monitor the recently implemented rules relating to travel and working arrangements between the UK and EU countries and to assess the future impact that these will have upon the Group. Remote working arrangements were put in place as part of the Group's pandemic continuity plans and these continue to provide an alternative to physical travel. Internal processes have been updated to support any additional planning and administration for UK/EU travel.
The risk that the COVID-19 pandemic impacts new business activities, the implementation of its software and its support provision.	Whilst a more normal business environment returned in the final quarter of 2020, any worsening of the pandemic could delay sales cycles/ongoing implementations as clients focus on short-term priorities arising from the pandemic.	The Group continues to monitor developments across its client base and prospects through its various engagement teams and partners. The Group only has minimal exposure to those industries which were most affected by the pandemic such as travel, retail and leisure. See below for further details of how the Board has assessed the potential impact of the pandemic on the Group.

Going Concern and Long-Term Viability Statement

In accordance with Provision 31 of the 2018 UK Corporate Governance Code ("the Code"), the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the "Going Concern" provision as part of our viability review set out below. See page 83 for the Group's assessment on going concern to 31st December 2022. 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 its planning time horizon in respect of its three-year strategic plan and is suitable given the nature and investment cycle of a technology business. Cash flows over this period have a relatively high degree of predictability, even considering the impact of the pandemic, 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, supplemented by the uncertainties surrounding the longer-term impact of the pandemic on the global economy. The Directors have no reason to believe the Group would not be viable over a longer period. However, due to this uncertainty, the Directors consider a three-year period to be appropriate in forming a reasonable expectation on the Group's longer-term viability.

In forming a viability statement, the Directors carried out a robust assessment of the principal risks and uncertainties that could impair the solvency and liquidity of the Group, focusing specifically on the impact of the pandemic. This is based on the Group's current position, its strategy, and associated principal risks with scenarios including an assessment of the Group's longer-term prospects, including any further uncertainties that may come from the United Kingdom's withdrawal from the European Union. 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 scenarios. To achieve this, management reviewed the principal risks and considered which might threaten the Group's viability. In identifying these principal risks, the Group concluded that the current level of future contracted revenue as at 31 December 2020 would be sufficient in providing the business with a positive cash balance throughout the period. It was therefore determined that none of the individual risks would in isolation compromise the Group's viability, and so several different severe scenarios were considered where the principal risks arose in combination.

The scenarios considered to be the most significant in performing the assessment of viability and the combination of principal risks involved are detailed on the following page all of which are considered extremely remote, in addition the Group sets out separate assessments of why the Group believe the impact of the pandemic and the United Kingdom's withdrawal from the European Union do not represent risks which might threaten the Group's viability.

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.

COVID-19 pandemic

As detailed within the strategic report, the Group saw some disruption to a number of its key markets in the second and third quarter of 2020 as customers and prospects decided to place focus on preserving capital. During this period the business remained resilient with all business functions, including those servicing its diverse client base, operating seamlessly. This resilience was actioned through the Group's tightening focus on cost control with all discretionary expenditure being closely reviewed. The Group also continued to enjoy a good number of new business wins and contract expansions across the year, particularly in the final quarter of 2020 with Annual Recurring Revenue growing by 11%.

In the medium term, the Group does not expect the pandemic to materially impact sales opportunities with the Group's product suite focused on addressing the growing trend for financial automation. The pandemic is expected to accelerate the stimulus for organisations to undertake this finance automation to further transform their finance functions, removing manual processes and improving the quality and regularity of their financial analysis and planning, a capability which is central to the Group's product strategy.

United Kingdom's withdrawal from the European Union

From 1 January 2021, new country by country guidance took effect in respect of the United Kingdom's withdrawal from the European Union. The Group operates a number of on-going implementation projects for clients located in the European Union (representing £8.6 million of revenue in 2020) and performs its development and a number of other functions at the Aptitude Innovation Centre in Poland. Prior to the pandemic, employees would be travelling frequently between the United Kingdom, Poland and a number of states in the European Union.

Experiences to date suggest that the Group's travel requirements remain workable but require some additional planning and administration. The business also has considerable experience in obtaining work permits to deploy its highly skilled consultants across the world, and benefits from the flexibility provided by its partner network. Remote working arrangements put in place as part of the Group's pandemic continuity plan will also provide an alternative to physical travel where appropriate. Should the impact of travel guidance become more stringent, the Group would look to a number of alternative measures which could include the hiring of consultants in the European Union to service these projects.

Other risks

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 multi-year annual licence and subscription model combined with the amount of variable cost base the business operates with.

Scenario modelling

The likelihood of each principal risk occurring, and the potential impact was modelled across various scenarios by management who evaluated the possible consequences, primarily through a reduction in operating profit 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, totaling £85.5m at 31 December 2020, would be sufficient over the period in providing the Group with a positive cash balance throughout. Across each of the scenarios tested, the Group have not factored in any structural changes being made to the business to ensure it remains viable.

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

Application of the 2018 UK Corporate Governance Code

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

- enhanced activities relating to the Board's engagement with the wider workforce, as described on pages 22 to 23;
- initiatives to strengthen and clarify understanding of the Group's corporate culture and purpose, as described on page 22;
- measures to support increased diversity and inclusion within the Group, as described on page 23;
- the introduction of a more detailed succession planning process for the Executive Directors and senior management overseen by the Nomination Committee;
- an enhanced internally-led annual Board Effectiveness Review process, as described on page 32;
- proactive engagement with major investors on the Group's 2020 remuneration strategy and approach as described on page 41;

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 38 to 39.

Report of the **Directors**

Responsibility for Environmental, Social and Governance matters

All members of the Board, together with senior management and the Company Secretary, take an active role in shaping and monitoring the Group's environmental, social and governance ("ESG") activities and it is appropriate that this responsibility is shared collectively. However, to ensure that ESG matters are given thorough consideration by the Board on an ongoing basis and approached in a co-ordinated manner, the Board has designated Philip Wood as the Board member who is responsible for the oversight of the Group's ESG activities. This is a recent development in the Group's governance structure and reflects the Board's commitment to ensuring that environmental, social and governance considerations are fully embedded in the Group's operations, Board processes and strategic direction.

Purpose, culture and values

The Group's core purpose is **to create a world of financial confidence**. This purpose is at the heart of the Group's stated strategy, vision, mission and corporate values, which are clearly articulated and understood by its employees. It would not be possible for the Group to achieve this purpose without intelligent, highly skilled and motivated employees and this awareness underpins its culture of collaboration, innovation, high quality delivery and ongoing personal and professional development for all of its employees.

Engagement with the 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.

During the year the Group expanded its range of employee engagement activities ensuring that the views and opinions of employees are heard and that its corporate values are upheld. During the year ended 31 December 2020 these activities included:

- regular attendances by members of senior management at Board meetings to present on their respective areas of expertise including sales, product & technology, and people & culture;
- ongoing programme of employee engagement surveys and requests for feedback, the results of which are reviewed quarterly by the Board;
- regular all employee calls and financial updates with all regions, with frequent Non-Executive Director attendance on these calls. Follow up surveys after these calls have also been introduced seeking feedback from employees on the usefulness of these calls and asking for suggestions for future topics;
- formal feedback on the Board was sought from senior management as part of the 2020 Board Effectiveness Review;
- the introduction of new mentoring and professional development programmes during the year, some of which included direct involvement from the Non-Executive Directors.

Particular consideration this year was given to the most effective means of engaging with employees in the home-working environment which resulted from the pandemic. While all employees were already able to work remotely prior to the pandemic, remote working arrangements were enhanced through the provision of any necessary additional equipment and training in systems to support effective online collaboration.

During the year, the Group also engaged with all employees to inform and shape its future vision for workspaces and work practice in all regions, including an all employee survey and presentations to senior management by members of the wider workforce. New online measures that we put in place during 2020 to support employee engagement and well-being include:

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

The Group continues to operate 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 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. Following the October 2020 invitation, 74% of the Group's employees were part of its share save schemes.

Approach to diversity and inclusion

Ensuring that equal opportunities exist for all

The Group is fully committed to offering equal employment opportunities and its policies are designed to attract, retain and motivate its 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 capabilities.

The Group gives proper consideration to applications for employment when these are received from persons with disabilities, taking account of any reasonable adjustments that may be required for candidates with a disability. Employees who become disabled will be fully supported in their roles through the use of appropriate technology and making any reasonable adjustments to their roles or, if appropriate, with retraining or making available suitable alternative employment.

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.

Supporting greater diversity

The Group is committed to increasing diversity within the workforce and recognises the clear benefits for the Group, its wider stakeholders, and the wider community of doing so. While the Group's culture and policies naturally support this, it is also recognised that practical steps are necessary to focus on and increase diversity and inclusion of the workforce, and that unconscious biases can exist within organisations which need to be identified and addressed in order to drive real change.

During the year, the Group engaged an independent consultant to work with senior management to identify how its approach to diversity and inclusion could be further improved. As a result, a Diversity & Inclusion working group has been established and a plan of action is currently being formulated, which will be sponsored by members of the senior management team.

Ongoing measures undertaken during the year to support diversity and inclusion included:

- increasing the ability of employees to work flexibly in terms of both workplace location and working hours;
- working proactively with the Group's recruitment partners to access a wider pool of candidates from under-represented groups;
- educating hiring managers on how to support diversity and inclusion throughout the recruitment and selection process;
- considering the language used in job vacancies, on the Group's website and in internal and external communications to ensure that this is inclusive; and
- educating employees and considering the language used generally within the Group to ensure inclusivity.

Report of the **Directors**

Gender diversity

The following table reports on the gender diversity of the Group's employees at 31 December 2020:

	Board Diversity		Top Leadership Diversity		Total Workforce Diversity	
	2020	2019	**2020**	2019	**2020**	2019
Men	**4**	5	**7**	6	**242**	240
Women	**1**	1	**3**	3	**90**	89
Total employees	**5**	6	**10**	9	**332**	329
Men %	**80%**	83%	**70%**	67%	**73%**	73%
Women %	**20%**	17%	**30%**	33%	**27%**	27%

The Board comprises four male Directors (80%) and one female Director (20%). The Group's top leadership consists of seven men (70%) and three women (30%).

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

The Group has not set itself firm targets to increase the gender diversity of its Board and senior management and all appointments will ultimately be made on merit. However, every effort will be made to attract a gender diverse pool of candidates for future senior appointments in order to increase the level of female representation in the Group's Board and senior management in future years.

Increasing the gender diversity of the wider workforce remains a challenge. There is a relatively small pool of qualified candidates and this does not currently contain an equal gender weighting. However, the Group is committed to incremental steps that will improve female representation in the future, such as ensuring gender diversity among trainee roles and ensuring that female employees are fully supported in their personal and professional development paths and encouraged to flourish and grow within the organisation.

Environmental Policy

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

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

Energy and Carbon Reporting

Aptitude Software recognises that its global operations have an environmental impact and the Group is committed to monitoring and reducing its emissions year-on-year. The Group is also aware of its reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which implement the government's policy on Streamlined Energy and Carbon Reporting (SECR). As such, this year the Group has strengthened its energy and carbon reporting to meet these new requirements and to increase the transparency with which environmental impact is communicated to the Group's stakeholders.

2020 Performance

This year Aptitude Software's environmental impact has been calculated across scope 1 (direct emissions) and 2 (indirect emissions) sources. Emissions are presented on both a location and market basis. On a location basis the Group's emissions are 359 tCO_2e, which is an average intensity ratio impact of 6.3 and a year-on-year reduction of 18% per £1,000,000 turnover. On a market basis the Group's emissions are 404 tCO_2e. Emission intensity metrics have been calculated on a revenue basis, which will be monitored to track performance in the Group's subsequent environmental disclosures.

This year there has been a considerable reduction in scope 1 (49%) and scope 2 (28%) office related activities. This can be attributed to the reduction in office space used by the Group, which included offices being removed as part of the disposal of Microgen Financial Systems in 2019.

Energy and Carbon Action

In the period covered by the report the Company has undertaken the following emissions and energy reduction initiatives:

- a reduction in the Group's total office space as part of its agreed property strategy, therefore reducing emissions related to office use;
- the extension of remote working capabilities to the entire workforce, thereby minimising unnecessary travel to and from offices; and
- the demonstration of Aptitude Software's ability to successfully implement client projects remotely, resulting in a reduction of international travel.

While the extension of remote working arrangements and the reduction in travel formed part of the Group's COVID-19 pandemic continuity plan, clear benefits have resulted for both employees and clients, meaning that a proportion of the reduction in travel is likely to remain beyond the pandemic.

The environmental credentials of any future office spaces selected will be considered by the Board as part of decision-making processes.

2020 Results

The methodology used to calculate the Greenhouse Gas emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version);
- DEFRA's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019); and
- Global office emissions have been calculated using the DEFRA 2020 & International Energy Organisation 2019 issue of the conversion repository.

In accordance with the WRI GHG Protocol, the Group has defined its organisational boundary using an operational control approach, the Group's calculated GHG emissions from business activities fall within the reporting period of January to December 2020 and using reporting period of January to December 2019 for comparison.

Emissions and Energy Usage

Table 1 – Energy and carbon disclosures for reporting year[1,2]

	Emissions Source	Global Emissions tCO_2e 2016	2017	2018	2019	2020	Percentage Change to 2019 (%)
Scope 1	Natural gas	115	60	55	53	33	(38)
	Company cars	2	2	1	2	2	–
	Refrigerant	3	5	3	20	3	(85)
Total Scope 1		120	67	59	75	38	(49)
Scope 2	Electricity	597	445	418	444	321	(28)
Total Scope 2		597	445	418	444	321	(28)
Total (Location Based)		717	512	477	519	359	(31)
Total (Market Based)					644	404	(37)
Total Energy Usage[3] (kWh)						722,876	N/A
Normaliser	tCO_2e per Revenue			6.7	7.7	6.3	(18)

Table 2 – 2020 and 2019 energy and carbon disclosures comparison[1,2]

	Emissions Source	FY 2019 tCO_2e UK	FY 2019 tCO_2e Global (Excluding UK)	FY 2020 tCO_2e UK	FY 2020 tCO_2e Global (Excluding UK)	Total Percentage Change to 2019
Scope 1	Natural gas	2	51	–	33	(38)
	Company cars	–	2	–	2	–
	Refrigerant	20	–	3	–	(85)
Total Scope 1		22	53	3	35	(49)
Scope 2	Electricity	91	353	17	304	(28)
Total Scope 2		91	353	17	304	(28)
Total (Location Based)		113	406	20	339	(31)
Total (Market Based)		156	488	29	375	(37)
Total Energy Usage (kWh) [3]				73,800	649,076	N/A

1 Emissions associated with natural gas and company cars have been restated for 2016 onward due to additional information being available in 2020. 2019 emissions have also been restated using 2019 DEFRA factors.
2 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 does not necessarily reflect the views of the International Energy Agency.
3 Energy reporting includes kWh from scope 1 and scope 2, converting units of measure into kWh by use of DEFRA 2020 issue of the conversion factor repository (as required by the SECR regulation).

Political Donations

The Group made no political donations in the year (2019: £nil).

Substantial Shareholdings

In accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority. As at 9 March 2021, 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	12.0%
Canaccord Genuity Group Inc.	6,280,429	11.1%
Mrs C Barbour, Mr B Barbour & Bank of New York Mellon (Brussels (Pooled))	4,409,689	7.8%
Jupiter Fund Management plc	3,951,031	7.0%
Invesco Limited	3,104,058	5.5%
Herald Investment Mgt	1,963,889	3.5%

1 Calculated by reference to the number of shares in issue at 9 March 2021, being 56,437,016.

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

Share Capital

At 9 March 2021 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 27 April 2021 are set out in the Notice of Meeting which accompanies this report.

Dividends and Distributions

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

Transfer of shares

Subject to the Articles, any shareholder may transfer all or any of his or her certified shares in writing by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may, 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 of the Financial Conduct Authority, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The Board may decline to recognise any instrument of transfer relating to shares in certificated form unless it is in respect of only one class of share and is lodged (duly stamped) at the Company's registered office or such other place as the Board have appointed accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to 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 28 April 2020 members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 5,622,008 ordinary shares of 7 1/3 pence each.

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

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

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

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

No shares have been purchased under this renewed authority. A resolution to give the Directors further authority for the Company to purchase its own shares is to be proposed at the forthcoming Annual General Meeting on 27 April 2021.

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 133.

Directors

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

Ivan Martin (Chair)
Jeremy Suddards
Philip Wood
Peter Whiting
Barbara Moorhouse
Tom Crawford (retired 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 and offer themselves for re-election 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 2020 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.

Report of the **Directors**

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 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.

The Group has minimal levels of interest rate risk following the settlement of its outstanding term loan facility on 10 May 2019 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 94 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 115. The Group also currently operates overseas branches in the following countries; Australia, Hong Kong, Ireland, Netherlands, Singapore and Switzerland.

Section 172 Statement

The Section 172 Statement is included in the strategic report across pages 12 to 14 and includes details of how the Directors have had regard for the need to foster good business relationships with customers, suppliers and others.

Auditors and Disclosure of Information to Auditor

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

A resolution regarding the re-appointment of the auditors, Grant Thornton LLP, 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 31 to 39 and incorporated into this Report of the Directors by reference.

Annual General Meeting

The forthcoming Annual General Meeting will be held at 9.00 am on Tuesday, 27 April 2021 at 50-60 Station Road, Cambridge, Cambridgeshire CB1 2JH. The Notice of the Annual General Meeting contains the full text of resolutions to be proposed. The Board's preference had been to welcome shareholders in person to the Group's 2021 Annual General Meeting, particularly given the constraints we faced in 2020 due to the COVID-19 pandemic. However, at the time of writing, it is expected that there will still be limitations on the Board's ability to host shareholders at the Annual General Meeting on 27 April 2021. We therefore strongly recommend that shareholders do not attend the Annual General Meeting in person and instead appoint the Chair of the meeting to act as their proxy to attend the meeting and vote on their behalf.

Shareholders are also invited to submit questions ahead of the Annual General Meeting. Please refer to the Notice of Annual General Meeting for details of how to appoint the Chairman as a proxy and how to submit questions ahead of the Annual General Meeting. We will contact shareholders by letter and via an RNS announcement should this situation change prior to the date of the Annual General Meeting.

By Order of the Board

Georgina Sharley
Company Secretary

9 March 2021

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 2020, 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 38 and 39.

Board of Directors

Function and operation of the Board

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

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

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

Independence and re-election of Directors

Provision 11 of the Corporate Governance Code recommends that at least half of the Board, excluding the chair, should be independent non-executive Directors. As explained in the 2019 Annual Report, there was an intentional period of overlap in the appointments of Tom Crawford (former Chief Executive Officer) and Jeremy Suddards (current Chief Executive Officer) to ensure a smooth transition. As a result the Board was not compliant with Provision 11 of the Code for this temporary period. Following Tom Crawford's retirement on 17 January 2020, the Company has again been compliant with this provision.

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

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.

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. During the year the Non-Executive Directors have also introduced quarterly discussions without the Executive Directors present, in order to provide a regular forum in which the performance and actions of the executive team and the wider business can be discussed freely.

Peter Whiting has served on the Board since February 2012 and was appointed as Chair of the Remuneration Committee in April 2016. Therefore, Peter has now served on the Board for nine years. 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

2021 Annual General Meeting will therefore be recommended to shareholders. The Board considers that the factors outlined in the 2019 Annual Report in relation to Peter Whiting's independence continue to apply, being:

- 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

The Company has a Nomination Committee, a Remuneration Committee and an Audit Committee. Each of these Committees have written terms of reference which clearly specify their authority and duties and those terms of reference are available upon 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, its Committees and the senior management team, including its balance of skills and experience and make recommendations to the Board with regard to any changes;
- oversee the process for Board and senior management appointments and recommend new appointments to the Board for approval;
- consider succession for Directors and senior management, including the identification and assessment of potential candidates and making recommendations to the Board for its approval; and
- oversee the annual Board Effectiveness Review process.

During the year, the Committee met three times (two scheduled meetings and one ad-hoc meeting), 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 2020 Annual General Meeting and recommended Directors for re-election at the 2020 Annual General Meeting;
- undertook a full review of succession plans for the Executive Directors and senior management, considering both short term emergency and long-term planning scenarios, and executive talent management and development; and
- undertook a structured, internally-led Board Effectiveness Review (see below for details).

The Committee's focus in 2021 will be to continue its work in relation to succession planning and executive talent management.

Annual Review of Performance and Effectiveness

The Nomination Committee oversaw an internal review of performance and effectiveness of the Board and its Committees in respect of the year ended 31 December 2020, which was supported by the Company Secretary and conducted with reference to the Financial Reporting Council's Guidance on Board Effectiveness.

During the year, the Committee gave careful consideration to the appointment of an independent third party to conduct the 2020 review, to the extent that the process was discussed in detail and a suitably qualified firm was identified. However, having taken into consideration the impact that the COVID-19 pandemic restrictions would have upon an independent third party review process, as well as the Company's focus on cost management within the current economic climate, the Committee concluded that it would be more appropriate to continue with an internally led approach for 2020.

The Committee has nevertheless worked with the Company Secretary to further evolve and strengthen the review process this year. The resulting process was structured as follows:

- feedback on the effectiveness of the Board and its Committees was sought from the Company's senior management team and from a selection of the Company's external advisors, using a series of open questions. This feedback process was co-ordinated by the Company Secretary;
- a 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;
- a review of the collective performance and effectiveness of the Board, including decision making processes, communication flows, strategic focus, environmental, social and governance matters and succession planning arrangements;
- a review of each individual Director, the Chair and the Company Secretary was undertaken without them being present, taking into consideration performance over the year, continuing effectiveness and any future development needs. Feedback to Directors was 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.

A number of actions and objectives for 2021 were agreed as a direct result of this review. Progress against these objectives will be monitored throughout the year and again in the 2022 review. One particular outcome of the review was the decision to designate a single Board member (Philip Wood) to have oversight responsibility for the Group's environmental, social and governance activities, as explained on page 22.

All members of the Board and the Company Secretary actively participated in the 2020 review, bringing a wide variety of observations and suggestions on how the effectiveness of the Board and its Committees could be further improved going forward, which is reflective of the Board open culture and commitment to continuous improvement. The diversity of thinking and complementary skills of Board members was evident throughout the review, resulting in a healthy level of constructive challenge and debate.

The Committee will again consider the possibility of engaging an independent third party to undertake the 2021 review, but feels confident that a robust and meaningful review was achieved for 2020 nevertheless.

Remuneration Committee

Peter Whiting is Chair of the Remuneration Committee. During the year, the Committee also comprised Ivan Martin and Barbara Moorhouse. The Remuneration Committee's Statement appears on pages 40 to 44 and the Directors' Remuneration Report appears on pages 45 to 64.

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

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

The Audit Committee also monitors the integrity of the financial statements of the Company and meets regularly with management and 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 appointed Grant Thornton UK LLP ('Grant Thornton') as its external auditor. Grant Thornton have conducted the audit of the Company's financial statements for the financial year to 31 December 2020 and their re-appointment as auditor for the following financial year will be subject to approval by shareholders at the 2021 Annual General Meeting.

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

The number of meetings of the Committee and the details of attendance by Committee members are set out at page 36. The Executive Directors attended the Audit Committee meetings throughout 2020 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 Deputy Chief Executive Officer and 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

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

These principally comprise:

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

In undertaking their review, the Audit Committee receives both an overview of significant contracts entered into during the course of the year along with a sample of other contracts entered into prior to 2020 which provides the opportunity to discuss the impact and application of each of these assumptions and estimates on the contracts selected. The Audit Committee carefully considered and discussed with the external auditors the revenue recognition on these contracts and concluded that they are satisfied with the accounting treatment.

In addition, the Group had a material contract which included the provision of implementation services on a fixed price basis with fees totalling approximately £1.9 million. This project concluded in 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 recognition of revenue continues to be in line with the Group's accounting policy on revenue recognition.

Annual Goodwill Impairment Review

Goodwill is a material asset on the Group's balance sheet and it is the Group's policy to annually test the asset for impairment. The judgements in relation to goodwill impairment testing relate to the assumptions applied in calculating the value in use of the Aptitude 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.

Development costs

As the Group continues to grow its product suite it incurs significant level of associated costs which this year totalled £8.5 million. A key area of judgment in respect of development costs is whether any of these meet the criteria set out in IAS 38 for capitalisation.

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

Tax

The Group operates in a number of territories which increases the complexity of the Group's tax affairs. Senior management provide regular updates of the Group's tax status to the Board and Audit Committee for consideration. The Group continues to assess the risk that some elements of its supplies in certain USA states would have been subject to sales tax in previous periods as a result of recent changes in the interpretation and application of sales tax regulations in the USA. During 2020, the Group reduced this risk through the settlement of its liability in a number of these states. The business continues to work with its external advisors on ensuring it applies sales tax to any new contracts in the USA where required. In all other aspects the Audit Committee is currently satisfied with the tax position of the Group.

Internal Audit / Assurance Programme

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

During the year, the programme focused on reviewing and strengthening the Group's global project control methodology. An independent firm was engaged to review existing service delivery processes, to identify any key risks or areas for improvement within these, and to provide ongoing input into the subsequent enhancements made to the framework, which have been incorporated into a structured plan formulated by the business. The Audit Committee has regularly monitored progress against this plan, including regular updates from senior management and the independent firm of advisers.

The Audit Committee considers that this review has been highly effective in further improving the Group's service delivery processes, from the initial sales process and throughout the delivery lifecycle.

Corporate Governance **Statement**

While the continuous improvement and enhancement of this framework will continue to be kept under review by the Committee, a number of other key areas for review in 2021 are also currently under consideration and will be reported on in 2022.

Accounting Standards

There have not been any new accounting standards effective during the year which had any impact on the Group's accounting policies and disclosures in there financial statements. The Audit Committee continues to monitor the application of relevant accounting standards to the Group including standards which are not yet effective, engaging with the external auditors on this subject as appropriate. None of the new standards which are effective for periods beginning after 1 January 2020 are expected to have a significant effect on the consolidated financial statements of the Group.

Audit Committee Evaluation

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

Board Attendance

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

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings held in 2020	9	4	8	2
Ivan Martin	9/9	4/4	8/8	2/2
Jeremy Suddards	9/9	4/4	8/8	2/2
Philip Wood	9/9	4/4	8/8	2/2
Peter Whiting	9/9	4/4	8/8	2/2
Barbara Moorhouse	9/9	4/4	8/8	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.

During the year, a total of 19 additional ad-hoc Board and Board Committee meetings were also held which are not included in the above figures, for the purpose of discussing ad-hoc or time sensitive matters. Furthermore, 5 meetings of a sub-committee relating to the exercise of options under the Company's share option schemes were held.

Management Meetings

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

Capital Structure

The information required pursuant to the Disclosure Guidance and Transparency Rules is detailed on page 27.

Social, Ethical and Environmental Risks

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

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

Internal Control

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

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

The Group recognises that it operates in a competitive market that can be affected by factors and events outside its control. Details of the principal risks identified by the Group are set out in the table on pages 17 and 19. 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 2020 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 2020, and up to the date of approval of the Annual Report.

Corporate Governance **Statement**

Application of the 2018 Corporate Governance Code	
Main Principles	**Group Compliance Statement**
1. Leadership and Company Purpose	
A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Directors bring a broad range of skills and experience to the Board, as shown by their biographies on the inside of the front cover. The Directors' responsibilities are outlined in the Report of the Directors. The Board meets regularly on a formal basis and for additional ad hoc meetings as necessary.
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The Group has a clearly articulated corporate purpose, mission, vision and values. The Board ensures that these are clearly communicated, understood and demonstrated across the business. The Board reviews the Group's strategy on a regular basis with input from senior management to shape and implement this.
C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board reviews the Company's performance against its targets and objectives on a monthly basis, with reference to reports and KPIs prepared by the business. The principal risks impacting the Company are set out on pages 17 and 19.
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. In normal circumstances, all continuing Directors make themselves available at the Annual General Meeting to respond to any questions raised by shareholders in attendance.
E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	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 2020. 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 Deputy Chief Executive Officer and Chief Financial Officer fails to resolve or for which such contact is inappropriate. The Chairman holds quarterly 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.

3. Composition, Succession and Evaluation	
J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	A separate Nomination Committee, comprising all the Non-Executive Directors (including the Non-Executive Chairman), is responsible for identifying and nominating candidates to fill Board vacancies and for ensuring that succession planning happens on an ongoing basis. A disclosure in relation to the composition and activities of the Nomination Committee under Code Provision 23 is set out on page 32.
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.	An annual review of the effectiveness of the Board, its Committees, the Directors and the Company Secretary is undertaken, prior to Directors being offered for re-election by shareholders. Details of how this review was conducted in respect of the year ended 31 December 2020 can be found on page 32. 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 2020 present a fair and balanced assessment of the Group's performance and conditions.
O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve.	The internal Assurance and Improvement Programme monitors key risk factors impacting the Group. External organisations with industry specific and risk management expertise are utilised to support this programme where appropriate. A summary of the principal risk factors impacting the Group are set out on pages 17 and 19.
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. An updated Remuneration Policy was adopted by Shareholders in 2020. The Remuneration Committee has proactively engaged with major investors on its 2020 remuneration strategy and approach in respect of the year ended 31 December 2020.
Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Remuneration Committee has delegated responsibility for setting the remuneration of the Executive Directors and the Group's senior management, including the Company Secretary. A disclosure in relation to the composition of the Remuneration Committee is set out on page 33. 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 2020, 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 2020. This report summarises the Committee's decisions in relation to Directors' remuneration for 2020 and describes how the Committee proposes to implement the Directors' Remuneration Policy in 2021.

Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved by shareholders at the 2020 Annual General Meeting with 93.98% of the votes cast in favour of it. We were also pleased to see strong support for the Annual Report on Remuneration at the 2020 Annual General Meeting, with 91.22% of the votes being in favour of it. The next shareholder vote on the Policy will take place in 2023. Key changes that were introduced in 2020 as part of the new Policy were as follows:

- the introduction of a deferred bonus arrangement, meaning that 20% of any bonus payable to Executive Directors is payable in shares which vest two years after the end of the performance period;
- 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; and
- the introduction of a post-employment shareholding policy for Executive Directors.

A number of changes to the way the Performance Share Plan 2016 scheme is operated were also made, 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.

Remuneration Strategy for 2020

The Remuneration Committee gave very careful consideration to the formulation of the Group's 2020 remuneration strategy and proactively engaged with the Group's major investors on this subject during the year (further details are provided below). The Committee has sought to balance the impact of the COVID-19 pandemic upon the Group, its stakeholders and the wider market, with the need to fairly reward and incentivise the Executive Directors and senior management.

The Group operates in markets that have been affected by the global pandemic, but not to the extent of the most badly-hit industries. The Group's systems are mission-critical, and the vast majority of its clients are in sectors that have been able to continue to operate with workforces working remotely. The Aptitude Software team has performed very strongly in the changed environment, and the Group's systems have enabled the business to adapt to working away from its offices, and those of its clients, without disruption.

The Group has, however, experienced some negative effects as reported, with lengthening sales cycles in the insurance sector in particular. The pandemic has exacerbated the delays resulting from the postponed introduction of IFRS 17. While the pandemic did not impact trading in the first quarter to March 2020, prompt action was nevertheless taken to protect the Group. That action, of which remuneration formed an element, had to be balanced so as to protect the long-term interests of the Group, and to treat all of its stakeholders fairly.

As communicated to the market in April 2020, initial scenario testing suggested that, despite the likely impact of the pandemic, the Group would remain profitable and cash-generative. As the Group's subsequent announcements and 2020 results have demonstrated, that has been the case to date. In that context, the factors that have influenced the Group's 2020 remuneration strategy include the following:

- an early decision was taken not to apply for any form of aid from the United Kingdom Government; the Group did not furlough employees, nor did it apply for any of the government-sponsored loan schemes;
- given the expectation of remaining cash-generative, the Group did not cancel its 2019 final dividend, and paid an interim dividend in 2020 equal to that paid in the prior year;

- the Group deferred annual 2020 pay rises for all employees that were due to take place earlier in the year;
- the Group continued its investment in those areas that were considered to be of the highest priority, particularly as an even stronger focus is expected among its current and potential clients on the benefits of financial transformation as the world emerges from lockdown;
- while maintaining that investment, a number of other savings were made in the business; and
- the Group ensured that it was able to attract and retain a talented and motivated workforce in the context of the highly competitive and buoyant employment market of the technology sector.

Having considered all of these factors, the Committee took the decision not to increase the salaries of the Executive Directors during 2020, and to reduce significantly the Executive Directors' 2020 bonus opportunity, as explained below.

Engagement with major investors

The Committee wrote to the Group's 15 major investors during September 2020 to communicate the background to and rationale for the Group's 2020 remuneration strategy, including the approach to Performance Share Plan awards (both in-flight awards and those granted during the year), the Management Bonus Plan, and basic pay for 2020. Follow-up letters were sent in December 2020 to any investors that had not responded by then and further follow-ups were undertaken during January 2021. Ultimately, 12 responses were received from these 15 investors, none of which communicated any significant concerns with this approach. The Committee thanks those investors that took the time to engage with it on this subject and is pleased with the level of support received.

Executive Director Remuneration in 2020

Salaries

As mentioned above, none of the Executive Directors received salary increases during the year ended 31 December 2020 in view of the Board's decision to defer 2020 employee salary increases until 2021. The salaries of Executive Directors will be increased with effect from 1 April 2021, in line with the timing of salary reviews for the wider workforce. The Group's approach is discussed further on page 42.

Variable remuneration outcomes

The overall performance of the Group in 2020 is discussed in the Strategic Report on pages 2 to 14.

Management Bonus Scheme

The Group's Remuneration Policy permits bonus opportunities for Executive Directors of up to 125% of salary. It was communicated in the 2019 Annual Report that the Committee intended to award a 2020 bonus opportunity at this maximum level, however in the first half of 2020, the Committee took a decision to reduce significantly the 2020 bonus opportunity for Executive Directors to a maximum of 30% of salary, in view of the anticipated impact of the pandemic upon the Group and its stakeholders. Notwithstanding the reduction in the bonus opportunity, 20% of the bonuses earned will be deferred into shares held for two years.

As in previous years, 75% of the bonus opportunity was based on performance against financial metrics, being a combination of Annual Recurring Revenue (ARR) and Operating Profit achieved in the year, with the remaining 25% based on non-financial objectives specific to each individual. In previous years, the financial metrics have been weighted 50:50 between ARR and Operating Profit. For 2020, to safeguard necessary investment decisions and to ensure a strong focus was placed on growing recurring revenues, the Committee took the decision to change this weighting to 75:25 in favour of ARR. Details of the financial performance measures set for the year ended 31 December 2020 are set out on page 55.

The non-financial performance measures that were set for the Executive Directors for the year ended 31 December 2020 can be found on page 55.

Jeremy Suddards performed strongly against his objectives and received a bonus of £59,167 (23.67% of salary out of a maximum of 30% of salary) for the year ended 31 December 2020. In line with the Group's Remuneration Policy, 20% of this bonus will be paid in the form of shares deferred for a period of two years.

Directors' Remuneration **Statement**

Philip Wood also performed strongly against his objectives and received a bonus of £57,983 (23.67% of salary out of a maximum of 30% of salary) for the year ended 31 December 2020. In line with the Group's Remuneration Policy, 20% of this bonus will be paid in the form of shares deferred for a period of two years.

Tom Crawford did not receive a bonus in respect of the year ended 31 December 2020, as it was agreed that he would not participate in the 2020 bonus scheme due to his retirement from the Board on 17 January 2020.

Performance Share Plan awards vesting in respect of performance in 2020

Each of Jeremy Suddards and Philip Wood hold Performance Share Plan awards which are due to vest by reference to performance assessed over the three year period ending 31 December 2020. The awards are subject to performance conditions based on Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") with equal weightings. Details of the performance outturn are included on page 57. The threshold level of EPS performance was not achieved, and the TSR performance condition was achieved at 53.2%, resulting in an overall vesting of 26.6%. Philip Wood's awards are subject to a further two year holding period. As Jeremy Suddards' awards were granted prior to his appointment to the Board, they are not subject to the holding period. Tom Crawford similarly holds awards which vest in respect of performance in 2020 which he retained on his retirement from the Board, and as explained in the 2019 Directors' Remuneration Report.

Performance Share Plan awards granted in 2020

On 7 September 2020, Jeremy Suddards and Philip Wood were granted Performance Share Plan awards over 69,321 and 54,348 shares respectively. Vesting is due to occur in September 2025, following the end of a three year performance period and a further two year holding period. Appropriate provisions were added to the awards to mitigate the risk of windfall gains, as referred to on page 58.

The Committee took the decision to base the financial performance conditions for the awards granted in 2020 exclusively on TSR assessed over the three year period from the date of grant (in previous years, 50% was attributable to TSR and 50% was attributable to EPS growth). A 25% vesting will result from median TSR performance, and a 100% vesting will result from top quartile TSR performance (as has been the case for the TSR element of grants in prior years). In previous years, the TSR performance period began at the start of the financial year, rather than the date of grant, as it was considered helpful to align the EPS and TSR elements of the performance measures. However, following the removal of the EPS element in 2020, this no longer applied. It is the Committee's intention that the TSR element of all future grants will commence on the grant date.

The Group's Remuneration Policy, as approved by Shareholders at the 2020 Annual General Meeting, permits awards to be granted up to a maximum of 125% of salary, albeit that in the 2019 Annual Report we stated there was no present intention to grant PSP awards in excess of 100% of salary during the year ended 31 December 2020.

The awards granted to Jeremy Suddards in 2020 were equivalent to 125% of salary and the awards granted to Philip Wood in 2020 were equivalent to 100% of salary. As explained in the 2019 Annual Report, Jeremy Suddards received an exceptional award of 200% of salary during 2019, having regard to his promotion to the Board and increased responsibilities. As it was considered extremely unlikely that the EPS element of the 2019 award would vest, the Committee concluded that a grant of 125% to Jeremy Suddards in 2020 was appropriate. Assuming the EPS element of the 2019 award does not vest, Jeremy Suddards' overall opportunity in 2019 and 2020 is 225% of salary, rather than the 300% of salary that would have applied had the full 2019 award been considered capable of vesting and a 100% of salary award been made in 2020. Further information on the awards granted during 2020 can be found on page 58.

Approach to Executive Director remuneration in 2021

The Group's approach to remuneration in 2021 will be in line with the Remuneration Policy adopted by shareholders at the 2020 Annual General Meeting, and in accordance with the recommendations of the 2018 UK Corporate Governance Code.

The salaries of the Executive Directors will be increased on 1 April 2021 in conjunction with the review of salaries for the wider workforce. At present Philip Wood's salary remains unchanged from 1 July 2019 and Jeremy Suddard's salary remains unchanged from 1 September 2019. Philip Wood's salary will be increased by 3.2% with effect from 1 April 2021, taking this from £245,000 to £252,840. This salary increase is aligned with the increases that will be received by the Group's wider workforce in the United Kingdom.

The Remuneration Committee has taken the decision to increase Jeremy Suddard's salary from £250,000 to £285,000 (14%) with effect from 1 April 2021, having taken into consideration the relatively modest increase that he received upon his promotion to the Board in September 2019 and in recognition of the extent to which he has developed in this role since that time. Subject to his continued development and strong performance in role and the financial performance of the Group over the next 12 months, the Committee will consider applying an increase of a similar quantum in 2022.

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

The overall maximum bonus opportunity for 2021 will be 125% of salary, in line with the Remuneration Policy approved by shareholders in 2020. The level of bonuses earned will be 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. A bonus deferral mechanism will continue to be applied, meaning that 20% of any bonus payment earned will be subject to a deferral period of two years and payable in shares.

In the new Remuneration Policy approved by shareholders in 2020, the ordinary maximum PSP award was increased to 125% of salary, although this increased limit was only applied in respect of Jeremy Suddards in 2020 as a result of the exceptional circumstances referred to above. Philip Wood was granted an award of 100% of salary in 2020. In 2021, the Committee proposes to grant to both Jeremy Suddards and Philip Wood at the level of 125% of salary. In deciding to utilise this additional headroom, the Committee had regard to the strong performance of the Group, the stretching financial performance conditions to which the awards will be subject (as discussed on page 59), the enhanced alignment with shareholders via the two year holding period after the performance period, and the enhanced shareholding guidelines introduced as part of the new Policy approved in 2020; further information is included on page 40. Awards granted during 2021 will be subject to the Executive Directors' shareholding guidelines detailed on page 47 in the Remuneration Policy.

The treatment of any Executive Directors' shareholdings post cessation will be as set out on page 51 within the Policy.

Reporting and policy requirements

This report comprises:

- Part A being the Directors' Remuneration Policy, which sets out the Group's Remuneration Policy, as approved by shareholders at the 2020 Annual General Meeting (with minor changes having been made to the text for ease of reading). This is not subject to shareholder approval in 2021; 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 2020. This will be subject to an advisory vote at the 2021 Annual General Meeting.

Compliance

This report (comprising this introduction and Parts A and B) has been prepared in accordance with the Companies Act 2006 and The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. It also meets the requirements of the FCA's Listing Rules and the Disclosure and Transparency Rules. The Committee has further adopted the principles of good governance as set out in the 2018 version of the UK Corporate Governance Code, in respect of the year ended 31 December 2020.

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 Group's Remuneration Policy for the Executive Directors and senior management is based on the following principles, and takes into account prevailing best practice, shareholder expectations, and the remuneration of the wider employee population:

- ensuring remuneration arrangements support the Group's business strategy;
- aligning the interests of Directors and senior management with those of the shareholders;
- determining remuneration by reference to individual performance, experience and prevailing market conditions, with a view to providing a package appropriate to the responsibilities involved;

Directors' Remuneration **Statement**

- encouraging behaviours which will enhance the performance of the Group and reward achievement of the Group's strategic and financial goals; and
- ensuring that an appropriate proportion of the overall remuneration package is incentive pay, which is earned for the delivery of stretching performance conditions.

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

Clarity

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

During the year, the Group proactively engaged with its major investors on its 2020 remuneration strategy, providing a written summary of the 2020 arrangements, and responded promptly and thoroughly to all queries received.

Simplicity

The elements of the Group's executive remuneration packages are clearly communicated internally and externally and are in line with accepted market practice, avoiding unnecessary complexities and ensuring transparency.

Risk

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

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

Performance Share Plan awards granted to Executive Directors are subject to a total vesting period of five years. New in-service and post-employment shareholding guidelines and a new bonus deferral arrangement were also introduced in 2020, to support long term engagement and to discourage short-termism.

Predictability

Details of 'minimum', 'on-target', 'maximum', and 'maximum' (with an assumed 50% share price increase) remuneration that may be earned by the Executive Directors in the forthcoming year are clearly shown on page 44.

Proportionality

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

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

During the year the Committee took the decision to reduce the Executive Directors' maximum bonus opportunity for 2020 to a level significantly below that permitted by the Group's Remuneration Policy, in view of the impact of the pandemic upon the Group and its stakeholders.

Alignment to culture

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

Directors' Remuneration Report

A. DIRECTORS' REMUNERATION POLICY ("POLICY")

This part of the Report sets out the Company's Directors' Remuneration Policy, which was approved by Shareholders at the 2020 Annual General Meeting on 28 April 2020, and took binding effect from the close of that meeting.

This part of the Report is unaudited and provided for information only. The policy as it appears in Section A has been updated for ease of reading only, and the charts illustrating the application of the policy in 2020 have been updated to provide an estimate of potential remuneration for Executive Directors in 2021. A version of the original text and charts can be found in the 2019 Annual Report at www.aptitudesoftware.com. This Directors' Remuneration Policy is not subject to a vote at the Annual General Meeting to be held on 27 April 2021.

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.

Directors' Remuneration
Report

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. 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 are not expected to acquire shares in the market in order to meet this guideline, but instead are expected to retain shares acquired through the Group's share plans in order to meet this shareholding guideline. Shares subject to PSP awards which have vested but which remain subject to a holding period, shares subject to vested but unexercised PSP awards and shares subject to deferred bonus awards count towards the guideline on a net of assumed tax basis. Shareholdings will be valued on an annual basis at 31 December for the purpose of this guideline.

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

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

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

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

Malus and clawback

Malus may be applied before a bonus is paid or before the assessment of performance conditions in relation to a PSP award. Clawback may be applied to a cash bonus after it has been paid and to a deferred bonus 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. A fee for the Chairman of the Nomination Committee was introduced with effect from 1 April 2021. The fees paid to the Non-Executive Directors are determined by the Board. Fee levels are determined by reference to fees paid to Non-Executive Directors in similar sized businesses and the expected time commitment and complexity of the role. The Non-Executive Directors are not eligible to participate in the Company's performance-related incentive plans or pension arrangements. Non-Executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs and other benefits that may be considered appropriate.	Non-Executive Director fees are typically reviewed by the Board every year with any adjustments effective from 1 April each year (prior to 2021, annual adjustments took place in January each 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 for potential inclusion in the PSP (subject to approval by the Remuneration Committee) and are eligible to receive option grants. Under normal conditions, performance conditions are consistent for all participants, while award sizes vary by organisational level.

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 2021 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.

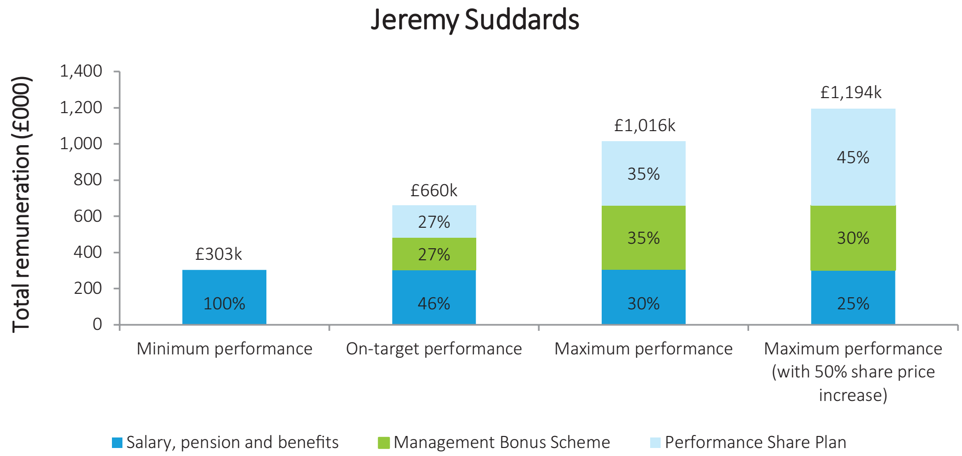
Potential reward opportunities are based on the Policy. For simplicity, the salary for the full year is based on the salary that will apply with effect from 1 April 2021 as referred to on page 59, with pension and incentive opportunities based on this salary. Benefits are based on the 2020 benefits figure from the single total figure of remuneration table on page 54.

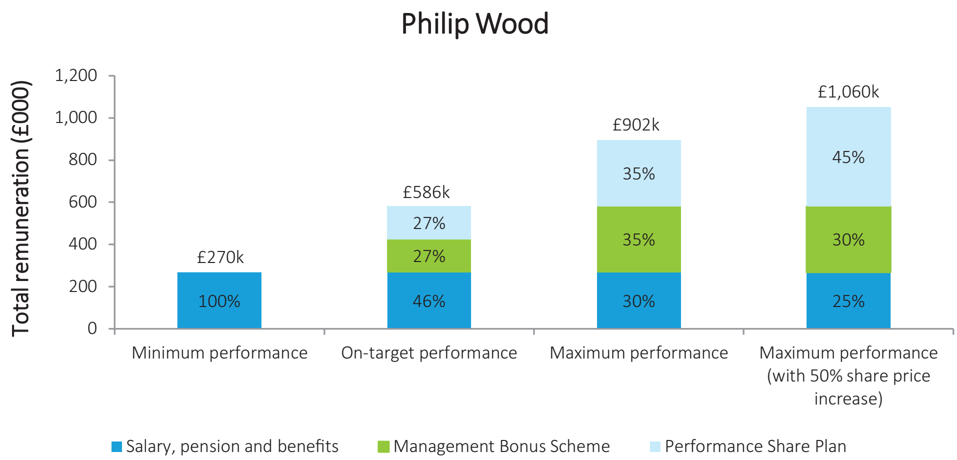
The 'minimum' scenario shows basic salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the Executive Directors' remuneration packages which are not at risk.

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 125% of their basic salary with 50% of the maximum (i.e. 62.5% of salary) ultimately vesting.

The 'maximum' scenario reflects fixed remuneration as above plus full vesting of the Management Bonus Scheme (125% of salary). In this scenario it is assumed that the Executive Directors are granted PSP awards of a value equivalent to 125% 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 48. A basic fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or Chairman of the Audit, Remuneration or Nomination Committees or other responsibilities 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.

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.

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.

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 2020. The sections of the report which are audited are clearly identified as such in the section heading.

Role of the Remuneration Committee

The Committee's primary function is to ensure that the delivery of the Company's strategy is supported by the Company's remuneration policy. The Committee's responsibilities during 2020 included:

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

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

Remuneration Committee membership in 2020

The membership of the Remuneration Committee as at 31 December 2020 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 8 scheduled meetings during the financial year, plus a number of additional ad-hoc meetings, and details of members' attendance at meetings are provided in the Corporate Governance section on page 36.

Directors' Remuneration
Report

Single total figure of remuneration (audited)

Executive Directors

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2020 and the prior year.

	Jeremy Suddards[1]		Philip Wood[6]		Tom Crawford[7]	
	2020 £	2019 £	**2020 £**	2019 £	**2020 £**	2019 £
Basic Salary	**250,000**	83,333	**242,375**	248,577	**15,972**	251,750
Taxable Benefits[2]	**1,295**	350	**1,738**	1,477	**50**	591
Pension[3]	**14,210**	–	**15,422**	12,669	**958**	14,523
Management Bonus[4]	**59,167**	–	**57,983**	98,820	**–**	–
Long Term Incentives[5]	**42,179**	–	**59,153**	1,068,917	**46,113**	1,213,367
				134,618		154,314
Total	**366,851**	83,683	**376,671**	1,565,078	**63,093**	1,634,545
Total Fixed Remuneration	**265,505**	83,683	**259,535**	262,723	**16,980**	266,864
Total Variable Remuneration	**101,346**	–	**117,136**	1,302,355	**46,113**	1,367,681

1 Jeremy Suddards was appointed to the Board on 1 September 2019. His single total figure of remuneration for 2019 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 £14,210 to Jeremy Suddards (2019 £nil) and £15,422 to Philip Wood (2019: £12,669) into a self–invested personal pension scheme.
4 See below for details of bonuses earned under the Management Bonus Scheme in respect of 2020.
5 Includes, in respect of 2020, PSP awards that are expected to vest in respect of a performance period ended in the year ended 31 December 2020, with further information included on page 57. The value of the awards relating to 2020 for Jeremy Suddards and Tom Crawford have been pro-rated to reflect the proportion of the performance period for which they were Executive Directors.
Two figures are included under 2019 for Philip Wood and Tom Crawford to reflect the fact that PSP awards were granted in 2016 and 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. In the 2019 Directors' Remuneration Report, the value of the awards granted in 2017 was calculated by reference to the three month average share price up to 31 December 2019 (being £5.98); in line with the regulations, their value in the table above has been updated to reflect the share price at the date of vesting (7 April 2020, being £3.90).
6 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 the 2019 "Basic Salary" above.
7 Tom Crawford retired as Director of the Company on 17 January 2020. He received a pro-rated amount of his salary and pension entitlements relating to his role as a Director up until that date and retains his in-flight PSP awards. Tom Crawford was not granted any PSP awards in 2020 and was not eligible to earn a bonus for 2020.

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 2020 and the prior year. As the Non-Executive Directors do not participate in any variable remuneration arrangement, separate sub-totals for fixed and variable remuneration are not included.

	Ivan Martin		Peter Whiting		Barbara Moorhouse	
	2020 £	2019 £	**2020 £**	2019 £	**2020 £**	2019 £
Basic Salary[1]	**141,143**	139,400	**45,563**	45,000	**45,563**	45,000
Committee Fees[2]	**–**	–	**12,554**	12,400	**8,100**	8,000
Other Fees	**–**	–		–		–
Total	**141,143**	139,400	**58,117**	57,400	**53,663**	53,000

1 The Non-Executive Directors received an increase in their fees of 5% with effect from 1 January 2020 in anticipation of an equivalent wider workforce increase. Following the decision to defer 2020 wider workforce annual increases on 1 April 2020, the Non-Executive Directors waived this increase and their fees reverted to 31 December 2019 levels with effect from 1 April 2020.
2 Peter Whiting's Committee fees relate to his Chairing of the Remuneration Committee and his holding the office of Senior Independent Director. Barbara Moorhouse's Committee fees relate to her Chairing of the Audit Committee. As with the base fee, these were initially increased with effect from 1 January 2020 and then reverted to the previous level with effect from 1 April 2020. Details of the rates are included on page 60.

Salary increases during 2020

Neither of the Executive Director's salaries were increased during 2020, reflecting the lack of wider workforce annual increases during the year.

Incentive outcomes for the year ended 31 December 2020 (audited)

Management Bonus Scheme in respect of 2020 performance

The 2020 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 2020. The maximum bonus opportunity permitted for each Executive Director under the Remuneration Policy is 125% of salary, however, the Committee took the decision to reduce the bonus opportunity for 2020 to a maximum of 30% of salary. Notwithstanding this reduction, 20% of the bonus paid will be in the form of shares, deferred for two years. The deferred shares will be granted following the release of the 2020 Annual Results.

Financial performance measures (75% of the bonus opportunity)

The table below details the financial performance conditions that were set for the business for 2020. In order to safeguard necessary investment decisions and to ensure a strong focus was placed on growing recurring revenues, the Committee took the decision to move the weighting of the financial performance measures at target performance from a 50:50 ratio of Annual Recurring Revenue (ARR) to Operating Profit to 75:25 in favour of ARR.

Jeremy Suddards' and Philip Wood's Management Bonus Scheme entitlements were calculated by reference to these performance conditions. No bonus was payable to Tom Crawford in view of his retirement from the Board on 17 January 2020.

Measure	Weighting	On-target performance level	Stretch performance Level*	Actual performance level	Bonus earned (% of salary)
Recurring revenue base**	75% of the financial measures opportunity	£31.1m	£32.1m	£32.0m	17.1%
Operating profit	25% of the financial measures opportunity	£9.1m	N/A	£9.1m	2.8%

* No stretch target was set in relation to Operating Profit for 2020, in order to protect necessary investment decisions during the year.

** The recurring revenue base target was set on a constant currency basis, using a planned conversion rate from USD of 1.3. The actual reported result of £31.2m was converted using the prevailing year end USD rate of 1.36.

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

The performance of Jeremy Suddards and Philip Wood was assessed by the Remuneration Committee against a number of metrics reflecting the Board's key strategic goals for the year, as stated below. The non-financial element of the Management Bonus Scheme was subject to a financial performance underpin, only being payable if the Operating Profit and ARR targets were met for 2020.

The following non-financial measures were set for Jeremy Suddards for the year ended 31 December 2020:

1) progress the Group's agreed digital finance strategy;
2) implement enhancements to the Group's project control methodology;
3) launch solution management services in the International and North America regions to drive incremental revenue growth; and
4) undertake succession planning across each leadership team, to identify successors and formulate plans to close any existing gaps.

Directors' Remuneration **Report**

While some of these objectives, by their nature, remain ongoing, the Committee agreed that Jeremy Suddards had demonstrated strong performance against each of these during the year with overall progress having met the Committee's expectations. The Committee concluded that it was appropriate to pay Jeremy Suddards an on-target bonus of 3.8% of his salary under the non-financial element of the 2020 bonus (the maximum possible payment being 7.5% of salary). Key achievements during the year included the following:

1) progression of the digital finance strategy during the year in line with the expectations of the Committee;
2) significant improvements achieved in the Group's project control methodology, further enhancing the Group's service delivery levels;
3) the implementation of 'go to market' plans for solutions management services in each region; and
4) the introduction of an improved succession planning process, as presented to the Nomination Committee during the year, and the formulation of plans to close identified succession planning gaps.

The following non-financial measures were set for Philip Wood for the year ended 31 December 2020:

1) ensure the successful migration of support activities to the Aptitude Innovation Centre with demonstrable client benefits;
2) develop the solution management services function in the Aptitude Innovation Centre to support the agreed operating model and to drive targeted growth in each region; and
3) undertake succession planning across the finance and support teams, to identify successors and formulate plans to close any existing gaps.

Again, some of these objectives are ongoing in nature, but the Committee agreed that overall strong performance in line with the Committee's expectations was demonstrated against these. The Committee concluded that it was appropriate to pay Philip Wood an on-target bonus of 3.8% of his salary under the non-financial element of the 2020 bonus (the maximum possible payment being 7.5% of salary). Key achievements during the year included the following:

1) all client support activities were successfully migrated to the Aptitude Innovation Centre during the year, resulting in improved support service levels and greater efficiencies;
2) a new solutions management services function was shaped and successfully implemented during the year; and
3) succession planning was undertaken for the finance and support teams, as presented to the Nomination Committee during the year, and plans have been formulated to close identified succession planning gaps.

2020 Management Bonus – Overall Outcome

	Overall (% achievement)	Financial (75% of award)	Non-financial (25% of award)	Total bonus payable*
Jeremy Suddards	23.7%	19.9%	3.8%	£59,167
Philip Wood	23.7%	19.9%	3.8%	£57,983

* 20% of the bonus payments shown are subject to a deferral period of two years and payable in shares.

PSP awards vesting in respect of performance in 2020

In accordance with the regulations, we have included the estimated value of PSP awards vesting by reference to a performance period ending in the year ended 31 December 2020. The final vesting will be confirmed by the Committee following the finalisation of this report. Jeremy Suddards holds awards over 78,909 shares, Philip Wood over 49,799 shares and Tom Crawford over 57,087 shares. In accordance with the regulations, in the case of Jeremy Suddards and Tom Crawford, we have included in the single total figure table only the portion of the awards expected to vest which relates to their service as Executive Directors.

The value included in the single total figure of remuneration is based on the estimated vesting outturn, a pro-rata reduction in the case of Jeremy Suddards and Tom Crawford as referred to above, and the estimated value of a share at vesting calculated by reference to the three month average share price up to 31 December 2020 (being £4.53) less the per share exercise price (6 3/7 pence).

	Shares subject to award[1]	Vesting percentage[2]	Vested shares[1]	Value
Jeremy Suddards	35,509	26.6%	9,445	£42,179
Philip Wood	49,799	26.6%	13,246	£59,153
Tom Crawford	38,819	26.6%	10,326	£46,113

1 Jeremy Suddards' and Tom Crawford's awards were earned in part for periods when they were employees of the business but were not Executive Directors. The numbers of shares subject to the awards (and consequently the number of vested shares and the value) have been pro-rated to reflect the proportion of the performance period for which they were Executive Directors.

2 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 2.5%, which was between the median and upper quartile of FTSE SmallCap constituents such that the TSR element of the awards vested at 53.2%. The EPS element of the award required compound annual growth in EPS of 10% for the threshold vesting (25% of the award) rising to full vesting for compound annual growth in EPS of 12%. The EPS growth over the performance period was less than 10% and consequently 0% of the awards will vest by reference to EPS growth.

The Committee considered that the overall vesting level of 26.6% reflected the financial performance of the Company over the performance 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 change in the share price.

		Total value	Value attributable to share price at grant[2]	Value attributable to change in share price between grant and at vesting[3]	Value attributable to dividends paid over the period from grant to vesting
Jeremy Suddards	Awards granted on 12 March 2018	£22,324	£24,824	(£2,500)	Nil
	Awards granted on 30 August 2018	£19,855	£18,565	£1,290	Nil
Philip Wood	Awards granted on 30 August 2018	£59,153	£55,311	£3,842	Nil
Tom Crawford	Awards granted on 30 August 2018	£46,113	£43,118	£2,995	Nil

1 Jeremy Suddards' and Tom Crawford's awards were earned in part for periods when they were employees of the business but were not Executive Directors. The values in the table above reflect the proportion of the performance period for which they were Executive Directors.

2 The share price on the respective grant dates was:
Awards granted on 12 March 2018 – £5.03
Awards granted on 30 August 2018 – £4.24

3 The share price at vesting is estimated to be £4.53 (being the three month average share price over the final three months of the 2020 financial year)

4 Jeremy Suddards was granted an award on 12 March 2018 and a further award on 30 August 2018 as part of the remuneration package shaped in relation to his recruitment.

Directors' Remuneration **Report**

PSP awards vesting in respect of performance in 2019

In the 2019 Directors' Remuneration Report estimated vesting rates were provided for awards held by Philip Wood and Tom Crawford that were granted during 2017 and were expected to vest by reference to the three year performance period ended 31 December 2019. The Committee confirms that the actual vesting rates for these awards were the same as the estimates provided within the 2019 Annual Report and Accounts. In the single total figure of remuneration table in the 2019 Directors' Remuneration Report, these awards were valued by reference to the three month average share price up to 31 December 2019 (being £5.98). In the single total figure of remuneration table on page 54, the values have been updated to reflect the share price on the date of vesting, being £3.90).

Share awards granted during the year (audited)

On 7 September 2020 share options under the Performance Share Plan were awarded to Jeremy Suddards and Philip Wood. Each award was granted in the form of an option with an exercise price of 7 1/3 pence per share. The awards granted to Jeremy Suddards were based upon 125% of salary and the awards granted to Philip Wood were based upon 100% of salary. No awards were granted to Tom Crawford during 2020.

Executive Director	Number of shares subject to award	Basis of award	Face value of award[1]	% of award vesting for threshold performance
Jeremy Suddards	69,321	125% of salary	£312,499	25%
Philip Wood	54,348	100% of salary	£245,000	25%

1 Based on a share price of £4.508 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 the performance conditions shown below. The 2020 financial performance conditions for the 2020 awards are based exclusively on relative TSR against a comparator group of the FTSE SmallCap Index (excluding investment trusts). The three year TSR performance period started on the date of grant and a one month averaging period applies at the start and end of the TSR performance period.

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

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

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

All 2020 awards are subject to downward adjustment should the Committee conclude that the formulaic vesting does not reflect the Committee's assessment of performance, including any disproportionate 'windfall gains' that might arise.

Termination payments and payments to past Directors (audited)

Tom Crawford retired from the Board on 17 January 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, as included in the single total figure of remuneration table on page 54. Tom did not receive any new share options during 2020, but he retains his existing share options, which will be subject to their original vesting dates and performance conditions, as detailed on page 63. As Tom remained an employee of the Group through the performance periods of these awards, no pro-rating was applied to these awards.

Implementation of Remuneration Policy for 2021

Basic salary

Market positioning of basic salary is reviewed on an individual basis, by reference to individual performance, experience and market conditions with a view to providing a package which is appropriate for the responsibilities involved. As explained on page 55, the salaries of Jeremy Suddards and Philip Wood were not increased during 2020. As explained on page 42, the salaries of the Executive Directors will be increased on 1 April 2021.

	Basic salary as at 31 December 2020	Basic salary from 1 January 2021	Basic salary from 1 April 2021	Percentage increase on 1 April 2021
Jeremy Suddards	£250,000	£250,000	£285,000	14.0%
Philip Wood	£245,000	£245,000	£252,840	3.2%

Management Bonus Scheme

The maximum bonus opportunity for Executive Directors in 2021 will be 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 2020 bonus outturn on pages 55 and 56.

Bonus deferral

The Company's Remuneration Policy includes annual bonus deferral such that 20% of any bonus earned will be deferred into shares for a period of two years. Deferred shares will be granted following announcement of the Company's results by which the bonus payment was determined. An additional payment may also be made in shares to reflect the value of any dividends paid during the two year deferral period.

Long-term incentives

Awards under the PSP will be granted to Executive Directors in 2021. Awards may be granted up to a maximum level of 125% of salary. The performance measures will include a relative TSR measure, and may include other financial metrics, such as EPS. As with the awards granted in 2020, the TSR performance measure will compare the Company's TSR performance with a comparator group consisting of the FTSE SmallCap Index (excluding investment trusts), with 25% of the TSR element vesting for performance at median, rising to 100% for upper-quartile performance. TSR performance will be assessed over the three year period from the date of grant. If another financial measure is applied, details of it (and of the associated targets) and of the weightings between the measures will be disclosed both at grant and in the 2021 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.

Directors' Remuneration **Report**

Non-Executive Director fees

Fees for the Chairman and Non-Executive Directors were increased with effect from 1 January 2020, before reverting to the previous level on 1 April 2020 in view of the deferment of wider workforce increases. The fees payable to the Chairman and Non-Executive Directors will be increased by 6.5% on 1 April 2021, except that the fee payable for holding the office of Senior Independent Director will be increased to an equivalent level as the fee payable to the Chair of the Remuneration Committee. A fee of £6,000 for the Chair of the Nomination Committee will also be introduced on 1 April 2021, as discussed in the 2019 Annual Report.

	Fee at 1 January 2020	Fee at 1 April 2020	Fee at 1 April 2021
Chairman	£146,370	£139,400	£148,460
Basic Non-Executive Director fee	£47,250	£45,000	£47,925
Audit Committee Chair fee	£8,400	£8,000	£8,520
Remuneration Committee Chair fee	£7,350	£7,000	£7,455
Senior Independent Director fee	£5,670	£5,400	£7,455
Nomination Committee Chair fee	N/A	N/A	£6,000

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

Percentage change in Directors' remuneration

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

Tom Crawford retired as a Director of the Company on 17 January 2020. Given the very short period that he served as a Director during 2020, he has not been included in the table below. Details of his remuneration received to 17 January 2020 can be found on page 54.

	Executive Directors		Non-Executive Directors[4]			
	Jeremy Suddards[3]	Philip Wood[2]	Ivan Martin	Barbara Moorhouse	Peter Whiting	Other employees[1]
Salary	0%	(2.5)%	0%	0%	0%	2%
Taxable benefits	N/A	17.6%	N/A	N/A	N/A	3%
Single-year variable	N/A	(41.3%)	N/A	N/A	N/A	34%

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. The Group did not progress with the 2020 annual pay rises due to concerns around the impact of the pandemic on Aptitude Software's key markets. The majority of the increase between 2019 and 2020 reflects that salary reviews typically take place in April each year, so that a comparison between 2019 and 2020 takes into account the review in April 2019.

2 Philip Wood's salary is shown as having fallen from 2019 to 2020 as he received a salary supplement of £2,000 a month between 29 October 2018 and 28 June 2019 for his role as Acting Chief Executive Officer of the Microgen Financial Systems business.

3 Jeremy Suddards was appointed to the Board on 1 September 2019. His salary on appointment was not increased during 2020 and accordingly the change is expressed as 0%. His taxable benefits for service as a Director in 2019 relate to part only of the year and the change between his benefits for that part year and the full year for 2020 is not considered a meaningful disclosure. He did not earn an annual bonus in respect of his service as a Director in 2019.

4 The fees for the Non-Executive Directors were initially increased with effect from 1 January 2020 as referred to on page 60. The 0% change stated reflects the reversion of the fees to their 2019 levels with effect from 1 April 2020.

Relative importance of spend on pay

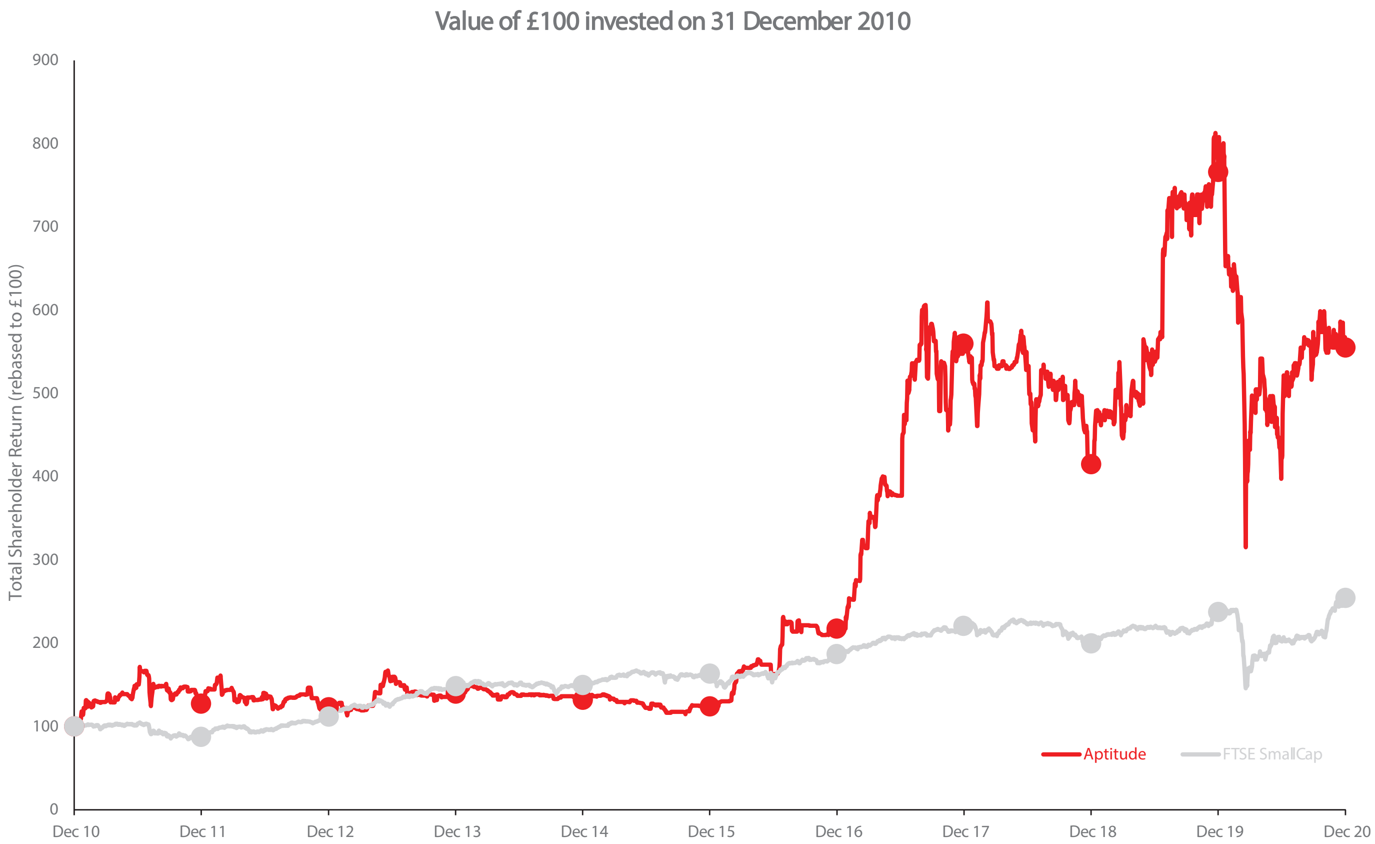
The table below shows the percentage change in spend on pay and shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 31 December 2019 to the financial year ended 31 December 2020, based upon continuing operations.

	% change	**2020 £000**	2019 £000
Return to shareholders in year[1]	(21)%	**3,044**	3,859
Employee remuneration[2]	6%	**34,326**	32,427

1 Excludes the return of capital in connection with the disposal of Microgen Financial Systems during 2019. The Company reset its dividend cover from the disposal of this business and has since adopted a progressive dividend policy.
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 SmallCap Index for the ten years ended 31 December 2020. The Committee considers that the FTSE SmallCap Index is the most appropriate comparison across the period given the similarities between the Company and the companies forming this index.



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 2011 - 2020 (inclusive).

Year		Total Remuneration	Bonus Award as a percentage of maximum opportunity	Long term incentives vesting as a percentage of maximum opportunity
2020	Jeremy Suddards (Chief Executive Officer)	£366,851[1]	78.67%[2]	26.60%
2019	Tom Crawford (Chief Executive Officer, Aptitude Software Group plc – retired 17 January 2020)	£1,634,545[3]	0.00%	100.00%/ 75.50%
2018	Simon Baines (Chief Executive Officer, Microgen Financial Systems)[9]	£776,610[4]	0.00%	100.00%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£858,130[4]	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[5]	50.00%	98.53%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£1,269,113[6]	92.50%	98.53%
2015	Martyn Ratcliffe (Executive Chairman)[6]	£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[8]	n/a	100.00%

1 £42,179 of this amount relates to the expected vesting, in terms of performance, of awards under the Group's 2016 Performance Share Plan. This value reflects the proportion of of the performance period for which Jeremy Suddards was an Executive Director. See page 57 for further information.
2 The maximum bonus opportunity for 2020 was reduced to 30% of salary. Jeremy Suddards received a bonus of 23.67% (being 78.67% of the reduced opportunity).
3 £1,367,681 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2016 Performance Share Plan.
The value of the 2018 awards stated in the 2019 Directors' Remuneration Report has been updated to reflect the actual share price on the vesting date of 7 April 2020.
4 £601,607 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2006 Performance Share Plan.
5 £852,241 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2006 Performance Share Plan.
6 £852,241 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2006 Performance Share Plan.
7 Martyn Ratcliffe was Executive Chairman in 2016 until his retirement on 4 March 2016.
8 £871,700 of this amount relates to the vesting, in terms of performance, of awards under the Group's share option schemes.
9 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 2020 and their families in the ordinary shares of the Company as at 31 December 2020 (or, if earlier, the date of their retirement from the Board) were as follows:

	Ordinary shares at 31 December 2020 (or, if earlier, the date of retirement from the Board)	Ordinary shares at 31 December 2019
Ivan Martin	**175,000**	175,000
Philip Wood	**196,875**	196,875
Peter Whiting	**16,332**	16,332
Barbara Moorhouse	**–**	–
Jeremy Suddards	**–**	–
Tom Crawford[1]	**332,500**	332,500

1 Retired from the Board on 17 January 2020.

There have been no changes since 31 December 2020 to the shareholdings of any current Director. None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group. Details of Directors' interests in shares and options under Company long-term incentives are set out in the sections below.

Under the Remuneration Policy which was approved by shareholders at the 2020 Annual General Meeting, Executive Directors are expected to acquire and retain shares with a value equal to 200% of their base salary, by the end of the three year period following their appointment to the Board. Further information on this shareholding guideline can be found on page 47.

Directors' interests under Company share plans (audited)

The table below shows the interests of each Director who served during 2020 as at 31 December 2020 in the Company's share plans.

Director	Grant	Shares subject to award as at 1 January 2020	Granted in 2020	Exercised in 2020	Lapsed in 2020	Shares subject to awards as at 31 December 2020	Status
Jeremy Suddards	2018[2]	78,909	–	–	–	78,909	Unvested, subject to performance conditions
	2019[3]	85,179	–	–	–	85,179	Unvested, subject to performance conditions
	2020[4]	–	69,321	–	–	69,321	Unvested, subject to performance conditions
		164,088	**69,321**	**–**	**–**	**233,409**	
Philip Wood	2017[1]	46,485	–	–	11,389	35,096	Vested
	2018[2]	49,799	–	–	–	49,799	Unvested, subject to performance conditions
	2019[3]	62,606	–	–	–	62,606	Unvested, subject to performance conditions
	2020[4]	–	54,348	–	–	54,348	Unvested, subject to performance conditions
		158,890	**54,348**	**–**	**11,389**	**201,849**	
Tom Crawford	2017[1]	53,287	–	–	13,056	40,231	Vested
	2018[2]	57,087	–	–	–	57,087	Unvested, subject to performance conditions
	2019[3]	–	–	–	–	–	No options granted
	2020[4]	–	–	–	–	–	No options granted
		110,374	**–**	**–**	**13,056**	**97,318**	

1 The awards granted in 2017 were subject to a performance condition described on page 49 of the 2017 Annual Report and Accounts.
2 The awards granted in 2018 are subject to a performance condition described on page 51 of the 2018 Annual Report and Accounts.
3 The awards granted in 2019 are subject to a performance condition described on pages 53 and 54 of the 2019 Annual Report and Accounts.
4 The awards granted in 2020 are subject to a performance condition described on page 57 of this report.

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 2020 were £18,700. 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.

Directors’ Remuneration
Report

Statement of Shareholder voting

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

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

At the Annual General Meeting of the Company on 28 April 2020, the Directors’ Remuneration Report for the year ended 31 December 2019 was approved by shareholders as follows:

Approval of the Directors’ Remuneration Report for the year ended 31 December 2019	Total number of votes	% of votes cast
For (including discretionary)	35,921,015	91.22%
Against	3,456,006	8.78%
Total votes cast (excluding withheld votes)	**39,377,021**	**100.00%**
Votes withheld	7,081	
Total votes cast (including withheld votes)	**39,384,102**	

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 9 March 2021 and signed on its behalf by:

Peter Whiting
Chair of the Remuneration Committee

9 March 2021

Independent Auditor’s Report

to the members of Aptitude Software Group 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 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity 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 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Company’s affairs as at 31 December 2020 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

A description of our evaluation of management’s assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

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

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent Auditor's Report

to the members of Aptitude Software Group plc

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

The responsibilities of the Directors with respect to going concern are described in the 'Responsibilities of Directors for the financial statements' section of this report.

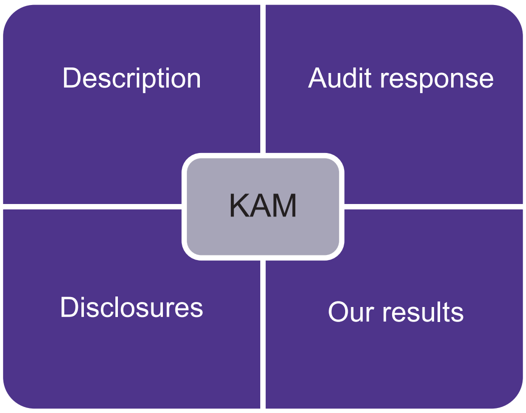
Our approach to the audit

<table>
<tr>
<td rowspan="3">Grant Thornton

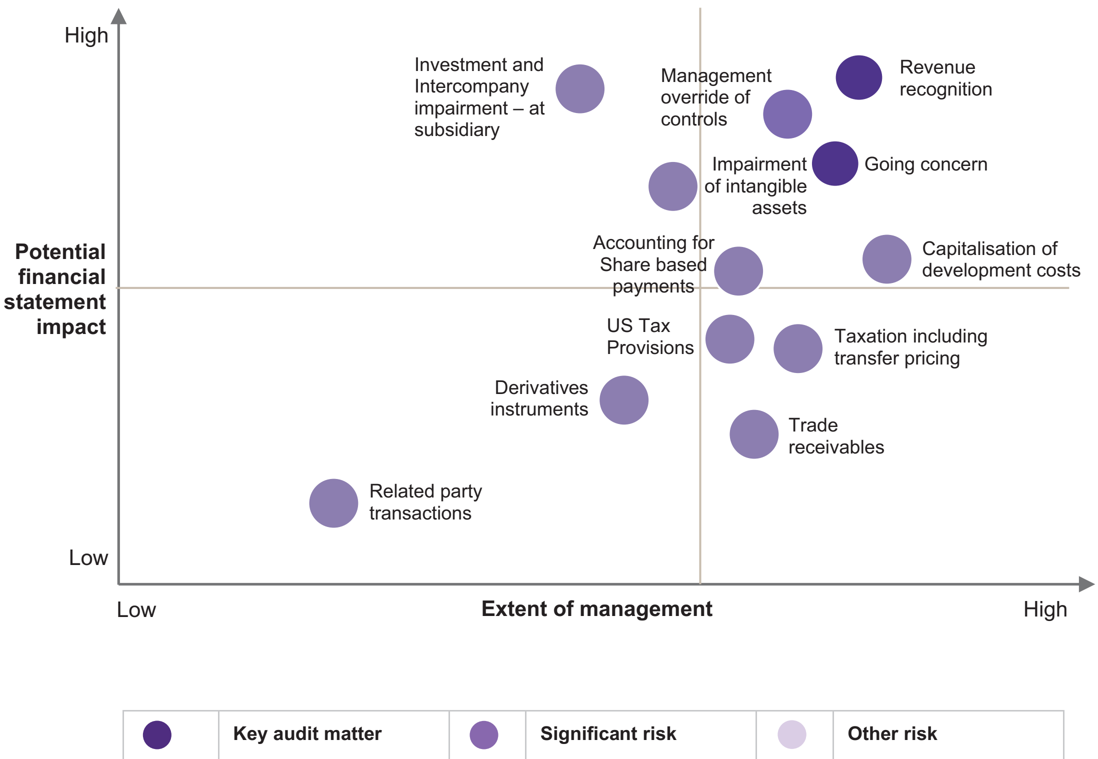
</td>
<td>Overview of our audit approach
Overall materiality:
Group: £412,000 (2019: £557,000) which represents 5% of the Group's profit before taxation (2019: 4.9%)
Company: £278,000 (2019: £461,000) which represents 0.4% of the Company's total assets.</td>
</tr>
<tr>
<td>Key audit matters were identified as;
• Risk of fraud in revenue recognition (including contract accounting, accrued and deferred income)
• Going concern
• Our auditor's report for the year ended 31 December 2019 did not include any key audit matters that have not been reported as a key audit matter in our current year's audit report.</td>
</tr>
<tr>
<td>We performed an audit of the financial information of the parent company and three of the components using component materiality (full-scope) and an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) of two further components to gain sufficient appropriate audit evidences at the Group level. We performed analytical procedures on the financial information on the remaining six components in the Group during the year.</td>
</tr>
</table>

Key audit matters

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 year 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.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Independent Auditor's Report

to the members of Aptitude Software Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group

Risk of fraud in revenue recognition (including contract accounting, accrued and deferred income)
 	
For software based activity we have identified revenue recognition on new contracts signed in the year, along with those with manual IFRS 15 adjustments at the year end, and the resulting judgements made by management to be a significant risk of fraud, which was one of the most significant assessed risks of material misstatement. We considered this risk to be specific to the completeness, accuracy and occurrence assertions.
 	
Additionally a significant risk of fraud has been identified around occurrence of managed and general consultancy services revenue, and completeness of the provision recognised for additional time and materials cost of implementation made at year end.
 	
The Group has recognised £57.3million (2019: £59.7 million) of revenue in the year.
 	
The Group's key revenue recognition policies are set out on pages 84 to 88 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. These judgements made by management include;
 	
• the assessment of software based activity (license and maintenance) revenue, as a single performance obligation;
 	
• the treatment of managed and general 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 based on the consistent development activity;
 	
• 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 customer environment (manual IFRS 15 adjustments);
 	
• the treatment of the post optimisation period of license and maintenance fees as a separate contract with a combined performance obligation recognised on a straight line basis
 	
There is also a significant estimate made by management with regards to;
 	
• the provision made by management for additional time and material costs of managed and general consultancy services revenue, which could be incurred subsequent to the year end to deliver and complete the service to client expectations.
	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 the internal control environment in respect of revenue recognition, as well assessing the design and implementation of the controls relevant to the audits through walkthrough procedures
	
	• Obtaining management's assessment and corroborative evidence to support the key judgments made in the recognition of revenue;
	
	    • Selecting all new contracts signed in the year within the software based activity stream, agreeing to signed contracts as well as holding discussions with contract managers to understand the terms of the contract and performed a recalculation to check that the appropriate revenue has been recognised;
	
	    • We have obtained evidence for the provision of license keys or cloud access for all new contracts signed in the year to demonstrate the right to access had been provided to the customer;
	
	    • Obtaining updates on contracts signed in the prior year as well as those where management may have encountered unexpected complexities in delivering the project through discussions with contract managers and other senior management; and tested the judgements on those corroborating to supporting documentation;
	
	    • Challenging the stated and implicit promises made to customers at the point of sale through review of the contracts, product roadmaps, as well as requests for upgrades and enhancements made by customers
	
	• Performing a test of detail on the residual population by selecting material contracts and a sample across the remaining software-based activity revenue;
	
	• Recalculating deferred income for all contracts selected as part of our software-based activity revenue testing;
	
	• Testing managements manual IFRS 15 adjustments in respect of constrained revenue (variable consideration capped to the invoiced value until the product is deployed into a live customer environment) and recalculated to check the amounts have been appropriately accrued;
	
	• Assessing within the managed and general consultancy services revenue the design and operating effectiveness of the specific relevant IT applications and tested the key application controls around timesheet authorisation, invoice, and monthly reconciliation checks performed by management to ensure the correct revenue is recognised;
	
	• Performing a test of detail by agreeing a sample of managed and general consultancy services revenue to underlying signed statements of work, contracted hourly rates, timesheets, invoices and subsequent cash receipt to ensure appropriateness of the revenue recognition;
	
	• Performing an extended walkthrough on a sample of general consultancy services revenue to check key processes were being appropriately followed;

Key Audit Matter – Group	How our scope addressed the matter – Group
	• 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. This included reviewing the provision utilised in the current year against contracts provided in the prior year to assess accuracy of provisioning whilst gaining a detailed understanding of the reasons for provisioning as well as obtaining corroborate evidence supporting the provision in the current year; and • As a result of the Covid-19 outbreak and resulting lockdown restrictions we have modified our audit strategy to allow for the year end audit to be performed remotely. This approach was supported through remote user access to the Group's financial systems. We have also gained comfort over the information provided by the information through virtual video teleconferencing facilities. We have also performed additional completeness procedures utilising the customer relationship management system.
Relevant disclosures in the Annual Report and Accounts 2020	**Our Results**
The Group's accounting policy on revenue recognition is shown in 'Principal accounting policies – Group' to the financial statements on pages 84 to 88 and related disclosures are included in note 2. The Audit Committee identified revenue recognition and the judgements taken in respect of IFRS 15 as a primary area of judgement in its report on page 34 where the Audit Committee also described the action that it has taken to address this issue.	Our audit testing did not identify any material deficiencies in relation to the revenue that would have required us to expand the nature or scope of our planned detailed testing work.

Independent Auditor's Report

to the members of Aptitude Software Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern We identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement. Covid-19 is one of the most significant economic global events, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the Group and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. In undertaking their assessment of going concern for the Group, the Directors considered the impact of the following Covid-19 related events in their forecast future performance of the Group and anticipated cash flows: • Management performed a scenario testing exercise for the period covered by the going concern forecast, including considering a base case forecast and an extreme downside scenario where no new customers were won, which is far more pessimistic than current situation may suggest. In all scenarios Aptitude Software remains comfortably profitable and cash generative in the years under review; and • The Directors reviewed and discussed the process undertaken by management, and also reviewed the results of the extreme downside scenario modelled to demonstrate in all cases the Group remains profitable; and cash generative; and • The Directors have concluded, based on the base case and extreme downside scenario developed, that the Group has sufficient resources available to meet its liabilities as they fall due and have concluded that there are no material uncertainties that cast significant doubt over the entitys ability to continue as a going concern.	Our audit work included, but was not restricted to: • obtaining and reviewing management's paper and assessment of going concern and challenging the assumptions used in the cash flow forecasts, which will have been approved by the Board; • obtaining management's forecast up to the period of 31 December 2022, together with supporting evidence for all key trading, working capital and cash flow assumptions; • obtaining management's extreme downside scenario, which reflect management's assessment of uncertainties, and which management consider to be severe but plausible. We evaluated the assumptions regarding the forecast period and reduced trading levels under each of these scenarios; • considering whether assumptions are consistent with our understanding of the business obtained during the course of the audit and the changing external circumstances arising from government Covid-19 interventions; • considering the ability of management's historic forecasting accuracy and the extent to which this impacts the forecasts produced; • reviewing the policies and disclosures in respect of going concern given in the financial statements for appropriateness; • testing the adequacy of the supporting evidence for the cash flow forecast, reviewing and performing arithmetical checks on the forecast; and • obtaining post year end management accounts and comparing against amounts forecasted to assess accuracy of forecasts • reviewing post year end board minutes to ensure any post year end events have been factored into managements forecasts In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the Group's and the Company's business model including effects arising from macro-economic uncertainties such as United Kingdom's withdrawal from the European Union and Covid-19, we assessed and challenged the reasonableness of the forecasts made by the Directors and the related disclosures and analysed how those risks might affect the Group's and the Company's financial resources or ability to continue operations over the going concern period.
Relevant disclosures in the Annual Report and Accounts 2020 The Group's accounting policy on going concern is shown in 'Principal accounting policies – Group' to the financial statements on pages 83.	**Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Our application of materiality

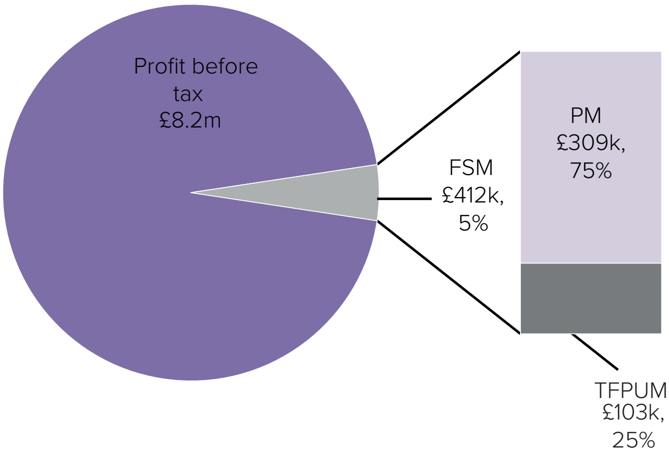
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

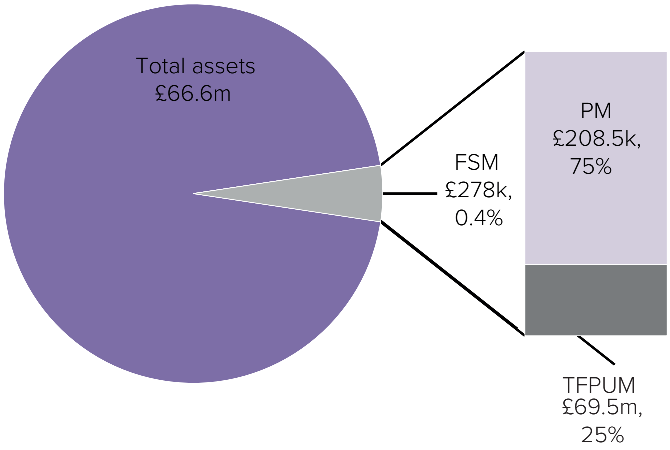
Materiality measure	Group	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£412,000 which is 5% of profit before taxation.	£278,000 which is 0.4% of total assets.
Significant judgements made by auditor in determining the materiality	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. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the lower profit before tax.	This benchmark is considered the most appropriate because its principal activity is that of a holding Company. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the allocation of component materiality as part of the Group audit.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£309,000 which is 75% of financial statement materiality.	£208,500 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: • Whether there were any significant adjustments made to the financial statements in prior years • Whether there were any significant control deficiencies identified in prior years • Whether there were any changes in senior management during the period • Whether there were any significant changes in business objectives/strategy	In determining performance materiality, we made the following significant judgements: • Whether there were any significant adjustments made to the financial statements in prior years • Whether there were any significant control deficiencies identified in prior years • Whether there were any changes in senior management during the period • Whether there were any significant changes in business objectives/strategy
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of materiality for certain specific areas being Directors' remuneration and related party transactions, in line with our calculated trivial threshold for Group.	
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£25,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£15,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality - Group



Overall materiality - Company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

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 an audit of the financial information of the parent company and three of the components financial statements using component materiality (full-scope) taking into account the structure of the Group, the accounting processes and controls, and the industry in which they operate.

The components 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 components vary significantly in size. Of the Group’s twelve components, 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 one further company, to give appropriate coverage of all material balances at reporting and Company level. Together, the components subject to audit procedures, being full scope and specific procedures, were responsible for 98% of the Group’s revenues, 91% of the Group’s operating profit before exceptional, and 91% of Group’s total assets.

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 six components. 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. All work was performed by the Group audit team and we engaged with local management in different components, including local finance where required. Whilst work was performed by the Group auditor, we have held discussions with local auditors who have met with local management to ensure that no matters have been noted for our Group opinion.

Audit approach	No. of components	% coverage (revenue)	% coverage (PBT)	% of coverage (total assets)
Full-scope audit	4	94%	88%	90%
Specified audit procedures	1	4%	3%	1%
Analytical procedures	6	2%	9%	9%

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is 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
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter 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.

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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;

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's and the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Independent Auditor's Report

to the members of Aptitude Software Group plc

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

- the Directors' statement in 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's 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;
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Group and the Company, 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 and the Company will be able to continue in operation and meet their liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- the Directors' statement that they 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 and the Company's performance, business model and strategy;
- the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the Group and the Company including the impact of the United Kingdom's withdrawal from the European Union and Covid-19 and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated including the impact of the United Kingdom's withdrawal from the European Union and Covid-19;
- the section of the annual report that describes the review of the effectiveness of Group's and the Company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and
- the section of the annual report describing the work of the audit committee, including significant issues that the Audit Committee considered relating to the financial statements and how these issues were addressed.

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- 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 as adopted by the EU , 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 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 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;
  - 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; and
  - held discussions with those outside the finance team including Company Secretary, human resources, key management, project and development team.
- The engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations. The engagement team also engaged with tax specialists in the UK and overseas to address the risk of non-compliance relating to tax legislation.
- 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 matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Audit Committee on 4 October 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the periods ending 31 December 2019 and 31 December 2020.

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

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

9 March 2021

Consolidated
Income Statement
for the year ended 31 December 2020

	Note	Year ended 31 Dec 2020 Before non-underlying items	Non-underlying items	**Total**	Year ended 31 Dec 2019 Before non-underlying items	Non-underlying items	**Total**
		£000	£000	**£000**	£000	£000	**£000**
Continuing operations							
Revenue	1,2	57,266	–	**57,266**	59,652	–	59,652
Operating costs	3	(48,155)	(964)	**(49,119)**	(49,150)	(1,559)	(50,709)
Operating profit	3	9,111	(964)	**8,147**	10,502	(1,559)	8,943
Finance income	5	61	–	**61**	158	–	158
Finance costs	5	(100)	–	**(100)**	(326)	–	(326)
Net finance costs		(39)	–	**(39)**	(168)	–	(168)
Profit before income tax		9,072	(964)	**8,108**	10,334	(1,559)	8,775
Income tax expense	6	(1,585)	514	**(1,071)**	(2,403)	370	(2,033)
Profit from continuing operations		7,487	(450)	**7,037**	7,931	(1,189)	6,742
Profit from discontinued operations	27	–	–	**–**	2,549	19,881	22,430
Profit for the period		7,487	(450)	**7,037**	10,480	18,692	29,172
Earnings per share from continuing operations							
Basic	7			**12.5p**			11.2p
Diluted	7			**12.3p**			11.0p
Earnings per share							
Basic	7			**12.5p**			48.4p
Diluted	7			**12.3p**			47.7p

The accounting policies and notes on pages 83 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement
of Comprehensive Income
for the year ended 31 December 2020

	Note	Group Year ended 31 Dec 2020 £000	Group Year ended 31 Dec 2019 £000
Profit for the year		**7,037**	29,172
Other comprehensive (expense)/income			
Items that will or may be reclassified to profit or loss:			
Fair value gain/(loss) on hedging instruments	24	**45**	(186)
Currency translation difference		**(988)**	(415)
Other comprehensive income from discontinued operations		**–**	22
Other comprehensive expense for the year, net of tax		**(943)**	(579)
Total comprehensive income for the year		**6,094**	28,593
Total comprehensive income for the period arising from:			
Continuing operations		**6,094**	6,141
Discontinued operation		**–**	22,452
		6,094	28,593

The accounting policies and notes on pages 83 to 133 are an integral part of these consolidated financial statements.

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Balance
Sheets

for the year ended 31 December 2020

	Note	Group As at 31 Dec 2020 £000	Group As at 31 Dec 2019 £000	Company As at 31 Dec 2020 £000	Company As at 31 Dec 2019 £000
ASSETS					
Non-current assets					
Property, plant and equipment including right-of-use assets	9	**2,394**	3,207	**36**	122
Goodwill	10	**23,787**	23,787	**–**	–
Intangible assets	11	**5,640**	6,486	**–**	–
Investments in subsidiaries	12	**–**	–	**28,176**	27,943
Other long-term assets	13	**1,472**	1,746	**–**	–
Income tax assets	14	**642**	944	**250**	503
Deferred tax assets	15	**448**	1,198	**67**	798
		34,383	37,368	**28,529**	29,366
Current assets					
Trade and other receivables	16	**7,782**	9,659	**218**	306
Financial assets - derivative financial instruments	17	**62**	4	**–**	–
Current income tax assets	14	**1,161**	1,155	**500**	359
Cash and cash equivalents	18	**44,822**	32,965	**37,347**	28,373
		53,827	43,783	**38,065**	29,038
Total assets		**88,210**	81,151	**66,594**	58,404
LIABILITIES					
Current liabilities					
Financial liabilities					
– derivative financial instruments	17	**(133)**	(120)	**–**	–
Trade and other payables	19	**(33,652)**	(30,122)	**(2,446)**	(4,373)
Capital lease obligations	20	**(881)**	(835)	**–**	–
Current income tax liabilities		**(247)**	(485)	**–**	–
Provisions	21	**–**	(38)	**–**	–
		(34,913)	(31,600)	**(2,446)**	(4,373)
Net current assets		**18,914**	12,183	**35,619**	24,665
Non-current liabilities					
Capital lease obligations	20	**(972)**	(1,288)	**–**	–
Provisions	21	**(441)**	(337)	**–**	–
Deferred tax liabilities	15	**(1,236)**	(1,502)	**–**	–
		(2,649)	(3,127)	**–**	–
NET ASSETS		**50,648**	46,424	**64,148**	54,031
SHAREHOLDERS' EQUITY					
Share capital	22	**4,143**	4,128	**4,143**	4,128
Share premium account	23	**7,828**	7,660	**7,828**	7,660
Capital redemption reserve		**12,372**	12,372	**12,372**	12,372
Other reserves	24	**34,124**	34,079	**17,398**	17,398
(Accumulated losses)/retained earnings	25	**(6,165)**	(11,149)	**22,407**	12,473
Foreign currency translation reserve		**(1,654)**	(666)	**–**	–
TOTAL EQUITY		**50,648**	46,424	**64,148**	54,031

The accounting policies and notes on pages 83 to 133 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 profit for the year of the Company was £12,610,000, see note 25 for details.

The financial statements on pages 77 to 133 were authorised for issue by the Board of Directors on 9 March 2021 and were signed on its behalf by:

Ivan Martin
Director

Philip Wood
Director

Company Registered Number: 01602662

Consolidated Statement
of Changes in Shareholders' Equity
for the year ended 31 December 2020

	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 2019		**3,958**	**6,488**	**8,010**	**(273)**	**12,372**	**34,265**	**64,820**
Profit for the year	25	–	–	29,172	–	–	–	**29,172**
Cash flow hedges								
– net fair value losses in the year	24	–	–	–	–	–	(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	22-23	170	1,172	–	–	–	–	**1,342**
Share options - value of employee service	25	–	–	1,033	–	–	–	**1,033**
Return of value to shareholders		–	–	(46,420)	–	–	–	**(46,420)**
Expenses relating to Return of Value		–	–	(600)	–	–	–	**(600)**
Deferred tax on financial instruments	15	–	–	(40)	–	–	–	**(40)**
Deferred tax on share options	15	–	–	11	–	–	–	**11**
Corporation tax on share options	25	–	–	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**
Profit for the year	25	–	–	7,037	–	–	–	**7,037**
Cash flow hedges								
– net fair value gains in the year	24	–	–	–	–	–	45	**45**
Exchange rate adjustments		–	–	–	(988)	–	–	**(988)**
Total comprehensive income for the year		–	–	7,037	(988)	–	45	**6,094**
Shares issued under share option schemes	22-23	15	168	–	–	–	–	**183**
Share options – value of employee service	25	–	–	337	–	–	–	**337**
Deferred tax on financial instruments	15	–	–	9	–	–	–	**9**
Deferred tax on share options	15	–	–	(118)	–	–	–	**(118)**
Corporation tax on share options	25	–	–	763	–	–	–	**763**
Dividends to equity holders of the company	8	–	–	(3,044)	–	–	–	**(3,044)**
Total Contributions by and distributions to owners of the company recognised directly in equity		15	168	(2,053)	–	–	–	**(1,870)**
Balance at 31 December 2020		**4,143**	**7,828**	**(6,165)**	**(1,654)**	**12,372**	**34,124**	**50,648**

The accounting policies and notes on pages 83 to 133 are an integral part of these consolidated financial statements.

Company Statement
of Changes in Shareholders' Equity
for the year ended 31 December 2020

		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 2019		3,958	6,488	**23,690**	**12,372**	**17,404**	**63,912**
Profit for the year	25	–	–	38,687	–	–	**38,687**
Cash flow hedges							
– net fair value losses in the year	24	–	–	–	–	(6)	**(6)**
Total comprehensive income for the year		–	–	38,687	–	(6)	**38,681**
Shares issued under share option schemes	22-23	170	1,172	–	–	–	**1,342**
Share options - value of employee service	25	–	–	1,033	–	–	**1,033**
Return of value to shareholders				(46,420)			**(46,420)**
Expenses relating to Return of Value				(600)			**(600)**
Deferred tax on financial instruments	15	–	–	(8)	–	–	**(8)**
Deferred tax on share options	15	–	–	(1)	–	–	**(1)**
Corporation tax on share options	25	–	–	(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**
Profit for the year	25	–	–	12,610	–	–	**12,610**
Total comprehensive income for the year		–	–	12,610	–	–	**12,610**
Shares issued under share option schemes	22-23	15	168	–	–	–	**183**
Share options - value of employee service	25	–	–	337	–	–	**337**
Deferred tax on share options	15	–	–	(13)	–	–	**(13)**
Corporation tax on share options	25	–	–	44	–	–	**44**
Dividends to equity holders of the company	8	–	–	(3,044)	–	–	**(3,044)**
Total Contributions by and distributions to owners of the company recognised directly in equity		15	168	(2,676)	–	–	**(2,493)**
Balance at 31 December 2020		**4,143**	**7,828**	**22,407**	**12,372**	**17,398**	**64,148**

The accounting policies and notes on pages 83 to 133 are an integral part of these consolidated financial statements.

Statements
of Cash Flow
for the year ended 31 December 2020

	Note	Group Year ended 31 Dec 2020 £000	Group Year ended 31 Dec 2019 £000	Company Year ended 31 Dec 2020 £000	Company Year ended 31 Dec 2019 £000
Cash flows from operating activities					
Cash generated from/(used in) operations	26	**16,238**	18,420	**(2,710)**	(4,531)
Interest paid		**(100)**	(326)	**–**	(77)
Income tax received/(paid)		**281**	(2,077)	**113**	(135)
Net cash flows generated from/(used in) operating activities		**16,419**	16,017	**(2,597)**	(4,743)
Cash flows from investing activities					
Dividend received		**–**	–	**16,006**	13,000
Purchase of property, plant and equipment, excluding right-of-use assets	9	**(232)**	(828)	**(18)**	(43)
Purchase of share capital in subsidiaries	12	**–**	–	**–**	(4,306)
Disposal of subsidiary, net of cash disposed	27	**–**	47,152	**–**	51,411
Interest received		**61**	158	**21**	5
Net cash (used in)/generated from investing activities		**(171)**	46,482	**16,009**	60,067
Cash flows from financing activities					
Net proceeds from issuance of ordinary shares	23	**183**	1,368	**183**	1,368
Dividends paid to company's shareholders	8	**(3,044)**	(3,859)	**(3,044)**	(3,859)
Repayments of loan		**–**	(8,000)	**–**	(8,000)
Payment of capital lease obligations	20	**(924)**	(1,127)	**–**	–
Return of value to shareholders	22	**–**	(46,420)	**–**	(46,420)
Expenses relating to return of value	25	**–**	(600)	**–**	(600)
Amounts borrowed from group undertakings	19	**–**	–	**(1,577)**	6,745
Net cash used in financing activities		**(3,785)**	(58,638)	**(4,438)**	(50,766)
Net increase in cash and cash equivalents		**12,463**	3,861	**8,974**	4,558
Cash, cash equivalents and bank overdrafts at beginning of year	18	**32,965**	29,186	**28,373**	23,815
Exchange rate losses on cash and cash equivalents		**(606)**	(82)	**–**	–
Cash and cash equivalents at end of year	18	**44,822**	32,965	**37,347**	28,373

The accounting policies and notes on pages 83 to 133 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

ACCOUNTING POLICIES

General Information

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

The Group consolidated financial statements were authorised for issue by the Board of Directors on 9 March 2021.

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") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS Interpretations Committee (formerly IFRIC) interpretations in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 98 and 101.

Going Concern

After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The future impact of both the pandemic and the United Kingdom's withdrawal from the European Union has been considered as part of the Group's adoption of the going concern basis. The Directors have prepared forecasts for going concern until 31 December 2022 which show that the Group will have sufficient cash to operate and meet their operating liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements. Information used to make this decision is detailed below.

A scenario testing exercise was performed for the period covered by the going concern forecast, including considering managements base case forecast and an extreme downside scenario where no new customers were won, which is far more pessimistic than current situations may suggest. In all scenarios Aptitude Software remains comfortably profitable and cash generative in the years under review. Financial performance in 2021 is not expected to be materially impacted from current year levels due to the long-range revenue visibility achieved through the recurring revenue business model. These recurring revenues, representing over 50% of total revenue, are resilient given the nature of the Group's enterprise applications which are typically heavily integrated and central to clients' mission-critical long-term financial reporting processes, underpinned by minimum contractual terms of up to six years at inception.

The Directors are reassured that the Group is financially robust benefitting from a cash balance at 31 December 2020 of £44.8 million and no bank loans. Additionally, the Group is cash generative and profitable, reporting Adjusted Operating Profit in the year of £9.1 million.

Supplementing these strengths, Aptitude Software benefits from a diverse client base, across multiple geographies and industries. The Group has only minimal exposure to those industries which were most severely affected by the pandemic such as travel, retail and leisure.

The Group continues to monitor the collection of monies from clients with no material delays in payment being cited. The business benefits from an Annual Licence Fee Model in which software licence and subscription fees are received annually in advance.

Notes to the Consolidated Financial Statements

Changes in Accounting policy and disclosures

(a) New standards, interpretations and amendments effective from 1 January 2020

There are no other new standards, amendments and interpretations which are effective for periods beginning on or after 1 January 2020, 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 2020 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 2020, which have been adopted in these financial statements.

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

The Group derives its revenues from the following categories which, in the prior year, 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 licence, software subscription and maintenance fees

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

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

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

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

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

Assessment of performance obligations

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

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

– optimise functionality within the software;

– optimise performance of the software; and

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

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

How the combined performance obligation is recognised

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

Method of revenue recognition in respect of the performance obligations

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

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

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

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

Revenue recognition constraint

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

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

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

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

Entry into auto-renewal periods during the optimisation period

Where a client's initial contract term is shorter than the optimisation period assessed by management, the client will enter auto renewal periods. Per IFRS 15, the Group has concluded that the entry into each auto renewal period represents a new contract due to the customer having no material right under the terms of the contract to enter into these renewal periods. Consequently, an assessment of whether the licence and maintenance services still represent a combined performance obligation is performed.

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

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

Entry into auto-renewal periods post optimisation period

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

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

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

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

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

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

Microgen Financial Systems Business

For Microgen 5Series, the leading product of 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 customers was recognised on a straight-line basis in the period covered by the invoice.

Product specific consultancy (implementation services)

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

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

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

Within the Microgen Financial Systems business, where customers wished to accelerate the product development, the Group undertook funded development work. Revenue for funded development work was recognised on a percentage completed basis after deferring a proportion of the revenue to cover the resolution of any issues arising after the enhancement has been delivered to the customer. The percentage completed was determined with reference to effort required to complete the development. Once the enhancement had been accepted by the customer the deferred portion of the revenue was recognised.

Managed Services

The Microgen Financial Systems business provided application management services to customers 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 optimisation period, this being the period assessed by management over which significant modification and optimisation is required in respect of each client.

Segmental reporting

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

The primary segmental reporting is by operating segment, following the disposal of the Microgen Financial Systems business in 2019 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 and certain overseas tax fees.

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

Property, plant and equipment is shown at historic purchase cost less accumulated depreciation and adjusted for any impairment. Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term, full details of the initial recognition and ongoing measurement of these assets is provided within the leasing policy note on page 92. 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.

Intangible assets

Research and Development ("R&D")

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

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

Costs which are incurred after the general release of internally generated software, or costs which are incurred in order to enhance existing products by way of minor or major upgrades, or other changes in software functionality, 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.

Customer 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.

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

Interest income and expense

Interest is recognised using the effective interest method.

Impairment of non-financial assets

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

Investments

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

Cash and cash equivalents

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

Share-based payments

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

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

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

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

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

Further details on the Group's share based compensation plans are provided in note 29.

Foreign currency

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

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

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

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

Pensions

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

Tax incentive schemes

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

Current and deferred income tax

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

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or 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 the present value of the future minimum lease payments discounted at the incremental rate of borrowing. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

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

If the contract includes options to break or terminate the lease which are at the right of the lessor, the Group measures the lease term based on the expectation that these will lapse. 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.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or in respect of interim dividends when they are paid.

Dividend income

Dividend income to the Company received from subsidiary investments is recognised in the Company income statement in the period in which it is paid.

Derivative financial instruments and hedging activities

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure.

Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement except where the derivative is a designated hedging instrument. The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is committed to. At the year-end the Group has designated its derivatives as a hedge of the cost of a highly probable forecasted transaction commitment ('cash flow hedge'). Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity 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. 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 2020 was 6 months (2019: 6 months).

In addition, forward foreign currency contracts were also put in place 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 2020 was 5 months (2019: 1 month).

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) on the foreign currency transactions of the Group's major non sterling trading currencies during the year.

Continuing operations	2020 £000	2019 £000
Polish Zloty	57	26
US Dollar	74	65
Canadian Dollar	25	39
Singapore Dollar	67	49
	223	179

In addition, the table below approximates the impact on the profit or loss of translation on the Group's financial assets and liabilities of a 5% exchange rate movement (strengthening of the sterling against the specified currency) of the Group's major non sterling trading currencies.

Continuing operations	2020 £000	2019 £000
Polish Zloty	53	63
US Dollar	(406)	(190)
Canadian Dollar	(5)	(3)
Singapore Dollar	20	(11)
	(338)	(141)

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

(b) Market risk – Interest rate

The Group's major interest rate exposures during the year arose from the interest earned on its cash balances following the settlement of its outstanding term loan facility 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. Up to this point the Group's policy had been to enter into an interest rate swap so that there is no change in interest payable pursuant to changes in interest rates.

The Group's policy on interest earned from its cash balances is to maximise the return (subject to the constraints imposed by the need to limit credit and liquidity risk as detailed below).

Given the above policies the table below approximates the impact on the Group's profit before tax of a increase of 100 basis points in interest rates during the year.

	2020 £000	2019 £000
Increase in interest receivable on cash balances	**331**	386

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 2020 Balance £000	31 December 2019 Balance £000
Bank A	Aa3	**19,445**	6,113
Bank B	Aa3	**11,268**	11,178
Bank C	A1	**8,390**	12,377
		39,103	29,668
Customer A	Ba2	**621**	1,200
Customer B	A3	**618**	554
Customer C	Ba1	**549**	492
		1,788	2,246

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 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The 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 2020 for the Group and Company was calculated as being nil (2019: Group loss allowance of £19,000 and Company loss allowance of nil).

(d) Liquidity risk

The Group's major liquidity exposures arise from the need to settle its trade, employee and taxation liabilities as they fall due.

Whilst the Group is comfortably able to finance all of these payments out of operating cash flows, policies are in place to further limit exposure to liquidity risk:

- surplus cash is never deposited for maturities of longer than 110 days; and
- uncommitted facilities will be entered into to support any specific expansion opportunities that arise.

Management monitors forecasts of the Group's liquidity reserve on the basis of expected cash flow. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest.

Group	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2020			
Capital lease obligations	**881**	**972**	**–**
Derivative financial instruments	**133**	**–**	**–**
Trade and other payables	**31,632**	**–**	**–**
	32,646	**972**	**–**

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

Company	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2020			
Trade and other payables	**2,446**	**–**	**–**
	2,446	**–**	**–**

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	–	–

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.

At 31 December 2020	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	(6,265)	–	–
Inflow	6,249	–	–
	(15)	–	–

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	–	–
	(16)	–	–

Fair value estimation

Financial Instruments measured at fair value

The fair value hierarchy of the financial instruments measures at fair value is provided below.

	Level 2	
	2020 £'000	2019 £'000
Financial Assets		
Derivative financial assets (designated hedge instruments)	**62**	4
	62	4
Financial Liabilities		
Derivative financial liabilities (designated hedge instruments)	**133**	120
	133	120

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 2020.

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

As at 31 December 2020, Aptitude Software Group plc has no capital covenants to which the Group or the Company are subject.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting judgments

(a) Recognition of Revenue

The policy for the recognition of software licences, maintenance and subscription fees is detailed on pages 84 to 88.

Assessment of performance obligations

For Annual Licence Fees, the Group determines for each contract whether ongoing contractual software maintenance or subscription fees represent a performance obligation that is distinct from the licence. For all existing contracts, it is determined that the ongoing contractual obligations form part of a combined performance obligation with the software licence.

For product specific consultancy, the Group also concludes for each contract whether this represents a separate, distinct performance obligation from the licence. For all existing contracts, the services being provided met the criteria of being a separate, distinct performance obligation on the basis that contractually the customer could choose to purchase the services elsewhere without significantly affecting the promises included in the licence and maintenance agreement.

How the combined performance obligation should be recognised

Once the Group concludes on the revenue recognition profile, the business determines on a contract by contract basis the period over which the revenues are recognised. This period is defined as the optimisation period and represents the duration of time assessed by management during which the most significant optimisation and functional enhancements of the software is undertaken. Where the optimisation period for a client is assessed by management as being greater than the initial term of the contract, the revenues recognised across the minimum term are equal to the total value of the contract.

Revenue recognition constraint

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

Product specific consultancy deferral

For any implementation service contract where the client is contracting on a time and materials basis, an assessment is made by management at the year-end of the expected amount of any additional consultancy effort to be provided to satisfy certain contractual obligations without incremental charge. Where such effort is anticipated, an accompanying deferral is calculated based on the value of this time if charged to the client and is recognised through the deferral of revenues.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. Following the disposal of Microgen Financial Systems business in 2019, the Group has determined that it has only one cash generating unit at the year end, this being the Aptitude Software business.

This determination was made with reference to the following principal factors:

- Information provided to management and the Board utilised to assess the performance of the business and make decisions is done on a consolidated Group basis;
- Key management personnel are compensated based on the performance of the business as a whole;
- Operating and capital budgets are only approved or modified by management based on financial information for the business as a whole;
- Clients are serviced across the Group's global offices meaning each regions cash inflows and assets are not independent from other regions; and
- Clients often purchase one or more of the Group's highly complementary and integrated products as part of an all-in price removing any possibility to accurately determine the recoverable amount on each. Consequently, the products cash inflows and assets are not independent from other products.

The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The discount rate applied in the value in use calculation approximates to the Group's Weighted Average Cost of Capital.

The Group annually reviews the goodwill valuation based on various scenarios and each of these scenarios have different growth rate assumptions. The growth rate assumptions are in relation to periods covered by Board approved plans. Details of these scenarios, growth rate assumptions and sensitivities are provided in note 10.

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 units. This is done on a similar basis to that used in the impairment of goodwill calculation as detailed above and is therefore subject to the same estimates by management. Where the investment is held in a company which is no longer trading, the value is derived from the carrying value of the net assets on the balance sheet of that entity.

(e) Development costs

The Group invests on a continual basis in the development of new and enhanced features in the product suite. There is a continual process of enhancements to and expansion of the overall product suite with judgement required in assessing whether the development costs meet the criteria for capitalisation. These judgements have been applied consistently year to year. In making this judgement, the Group evaluates, amongst other factors, whether there are future economic benefits beyond the current period, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, the likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to measure reliably the expenditure attributable to the project.

Judgement is therefore required in determining the practice for capitalising development costs. The accounting policy for research and product development is detailed on page 89 and in the current year there are no development expenses that have been capitalised (2019: nil). The total product management, research and development expenditure in the period is £8.5 million (2019: £9.3 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

Method of recognising revenue

Where the software licence and maintenance fees meet the criteria of a combined performance obligation, the Group determines for each contract the most appropriate method of recognising revenue in line with development activity related to the relevant product. Measurement of the development activity is completed by way of the input method, with management providing an initial estimate of the overall expected development hours to be incurred across the period. This estimate is then reviewed against actual hours incurred at the end of each reporting period.

The estimation of the development activity, principally the number of hours anticipated to be incurred, impacts all customer contracts and therefore as at 31 December 2020, the deferred income balance of £25.7 million (2019: £22.8 million) and accrued income balance £0.6 million (2019: £0.5 million) have been calculated pursuant to estimates. Sensitivity analysis was performed with management considering the impact of a reasonable proportional movement in the estimated development effort and determined that in all cases the impact on the assets and liabilities presented across both periods was not material.

Fixed price projects

Fixed priced development or consultancy projects also require estimates in respect of the percentage completion of each project. As at 31 December 2019 the Group had one ongoing fixed price project which concluded during the year and therefore the estimates applied were not considered to have a material impact on the carrying amount of any asset or liability presented in either period.

Product specific consultancy deferral

As outlined with the accounting judgments applied to the recognition of revenue, management make a deferral of revenue at the year-end of the expected amount of any additional consultancy effort to be provided to satisfy certain contractual obligations without incremental charge. Where such effort is anticipated, management estimate the amount required along with the accompanying value of this time if charged to the client. Sensitivity analysis was performed with management considering the impact of a reasonable proportional movement in the estimated consultancy effort and determined that in all cases the impact on the assets and liabilities presented across both periods was not material.

(b) Taxation

Income tax

The actual tax the Group pays on its profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which are then recognised in the financial statements. The Group believes the estimates, assumptions and judgements are reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements and may result in the recognition of an additional tax expense or tax credit in the income statement.

Deferred tax assets and liabilities require management judgement in determining the amount to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

USA sales and use tax

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. Consequently, the Group holds a provision totalling £0.7 million at the year-end equating to the potential historic sales tax liability the business is exposed to as a result of the risk of non-recoverability from its clients who will bear these costs going forwards. The value of this provision has been determined based on managements estimate of which supplies it believes are captured by the regulation, which clients we have a risk of non-recoverability from and over what historic period this provision should be held against.

Sensitivity analysis was performed with management considering the impact of a reasonable proportional movement in the estimates applied and determined that in all cases the impact on the assets and liabilities presented across both periods was not material.

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 the first half of 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 six months ended 30 June 2019 was Aptitude Software and therefore no segmental analysis is provided for this period.

The principal activity of the Group throughout 2019 and 2020 was the provision of business critical software and services.

(a) Geographical segments

The Group has two geographical segments for reporting purposes, the United Kingdom and the Rest of the World.

The following table provides an analysis of the Group's sales by origin and by destination along with the profit before tax.

Continuing operations	Sales revenue by origin		Sales revenue by destination		Profit before income tax	
	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000	**Year ended 31 Dec 2020 £000**	Year ended 31 Dec 2019 £000	**Year ended 31 Dec 2020 £000**	Year ended 31 Dec 2019 £000
United Kingdom	**32,096**	32,194	**9,571**	8,419	**5,954**	6,156
Rest of World	**25,170**	27,458	**47,695**	51,233	**2,154**	2,619
	57,266	59,652	**57,266**	59,652	**8,108**	8,775

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 (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 2020 £000	Year ended 31 Dec 2019 £000	**Year ended 31 Dec 2020 £000**	Year ended 31 Dec 2019 £000
United Kingdom	**16,744**	17,816	**87**	460
Rest of World	**16,549**	17,410	**145**	368
	33,293	35,226	**232**	828

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

2 Revenue from contracts with customers

(a) Analysis of revenue from contracts with customers

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

Continuing operations

	Software related revenue			Services related revenue			
Year ended 31 Dec 20	**United Kingdom £000**	**Rest of World £000**	**Total £000**	**United Kingdom £000**	**Rest of World £000**	**Total £000**	**Total £000**
Revenue from external customers	**5,684**	**24,791**	**30,475**	**3,887**	**22,904**	**26,791**	**57,266**

	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 customers	4,863	23,631	28,494	3,556	27,602	31,158	59,652

All of the revenue displayed in the above table is recognised over time in line with the Group's accounting policy detailed on pages 84 to 88 and has been generated from contracts with customers.

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.

(b) Assets and liabilities related to contracts with customers

The Group has recognised assets and liabilities relating to contracts with customers. These amounts are classified as accrued and deferred income respectively for the purposes of this report and are displayed within notes 16 and 19.

(i) Significant movements in accrued and deferred income

Accrued income has increased against the prior year to £611,000 at 31 December 2020 (31 December 2019: £538,000) due to timing differences on when the software or service was provided against when it has been invoiced to the customer.

Deferred income has increased by £2,861,000 to £25,703,000 at 31 December 2020 (31 December 2019: £22,842,000) through the growth in software related revenue during the year which has caused an uplift in the value of Annual Licence Fee and subscription invoices issued during 2020 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 2020 £000**	Group Year ended 31 Dec 2019 £000
Revenue recognised that was included in the deferred income balance at 31 December of the previous period	**21,356**	18,082

2 Revenue from contracts with customers (continued)

(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 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 2021 to 31 December 2026 on a contract by contract basis as and when the performance obligations are met:

Continuing operations	**Group As at 31 Dec 2020 £000**	Group As at 31 Dec 2019 £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	**85,488**	86,672

The information provided for the prior year has been adjusted to solely present contracted revenues in respect of software, subscription and solution managed services.

All other software and service contracts are billed based on time incurred. As permitted under IFRS 15, these amounts have been excluded for the purposes of the above calculation given the variable nature.

(iv) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to the commission costs of obtaining a contract. This is amortised on a straight-line basis over the optimisation period assessed by management and presented within other long-term assets in the balance sheet. See further details on the optimisation period within the revenue recognition policy.

	Group As at 31 Dec 2020 £000	Group As at 31 Dec 2019 £000
Asset recognised from costs incurred to obtain a contract at 31 December	**1,472**	1,746
Amortisation recognised as cost of providing services during the year from continuing operations	**723**	415

3 Operating profit

The following items are included in operating costs:

Continuing operations	**Year ended 31 Dec 2020 £000**	Year ended 31 Dec 2019 £000
Employee benefit expense (note 4)	**34,326**	32,427
Depreciation	**1,573**	1,635
Other operating costs	**12,256**	15,088
	48,155	49,150
Non-underlying operating costs:		
Amortisation of intangibles	**846**	846
Overseas taxation	**–**	713
Group reorganisation costs	**118**	–
	964	1,559
	49,119	50,709

3 Operating profit (continued)

Profit from continuing operations has been arrived at after charging:

	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Net foreign exchange gains	**(42)**	(128)
Research and development costs	**8,494**	9,337
Depreciation of property, plant and equipment	**1,573**	1,635
Repairs and maintenance expenditure on property, plant and equipment	**187**	145

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

	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Fees payable to Company's auditors for the audit of the Parent Company and consolidated financial statements	**93**	83
Fees payable to the Company's auditors and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	**43**	27
– audit related assurance service (payable to PricewaterhouseCoopers LLP in 2019)	**24**	20
– other consultancy services (payable to PricewaterhouseCoopers LLP)	**–**	550
	160	680

A description of the work of the Audit Committee is included in the corporate governance statement on pages 33 to 36 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors. During 2020, the Group's auditors carried out audit related assurance services in respect of the interim financial statements and other general assurance services.

On 4 October 2019, the Group appointed Grant Thornton UK LLP as its new external auditor replacing PricewaterhouseCoopers LLP. During 2019, 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.

4 Employees and directors

Continuing operations	Group Year ended 31 Dec 2020 £000	Group Year ended 31 Dec 2019 £000	Company Year ended 31 Dec 2020 £000	Company Year ended 31 Dec 2019 £000
Employee benefit expense during the year				
Wages and salaries	**30,416**	28,216	**905**	933
Social security costs	**2,643**	2,604	**115**	120
Other pension costs	**930**	861	**31**	29
Share based payment costs on share options	**337**	746	**104**	116
	34,326	32,427	**1,155**	1,198

Average monthly number of employees (including Directors) for the Group:

Continuing operations	Group Year ended 31 Dec 2020 Number	Group Year ended 31 Dec 2019 Number	Company Year ended 31 Dec 2020 Number	Company Year ended 31 Dec 2019 Number
By location:				
United Kingdom	**110**	110	**8**	8
Rest of World	**231**	208	**–**	–
	341	318	**8**	8

Headcount from continuing operations at 31 December 2020 was 332 (2019: 329).

Continuing operations	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Key management compensation:		
Short-term employee benefits	**1,717**	1,738
Post employment benefits	**62**	65
Share based payment costs on share options	**179**	308
	1,958	2,111

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

	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Directors		
Short-term employee benefits	**858**	935
Post employment benefits	**31**	27
Share based payment costs on share options	**78**	264
	967	1,226

Average monthly number of Directors and senior executives in respect of continuing operations were 9 (2019: 9). As at 31 December 2020, the number of Directors and senior executives were 10 (2019: 9) The key management figures given above include the Directors of Aptitude Software Group plc.

During the year the highest paid Director received aggregate emoluments of £299,000 (2019: £349,000) excluding long term incentive awards and deferred bonus plan awards. The value of the Company contributions paid to a money purchase scheme in respect of the highest paid Director amounted to £14,000 (2019: £13,000).

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 15 to 30. Amounts displayed throughout the tables above exclude the impact of long term incentive awards and deferred bonus plan awards which have either been exercised in the year or have vested but are yet to be exercised.

5 Net finance cost

Continuing operations	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Finance income		
Interest on bank deposits	**61**	158
	61	158
Finance cost		
Interest payable on bank borrowings	**–**	(91)
Interest payable on capital lease obligations	**(100)**	(93)
Amortisation of loan arrangement fee	**–**	(142)
	(100)	(326)
Net finance cost	**(39)**	(168)

6 Income tax expense

Analysis of charge in the year	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Current tax:		
– tax charge on underlying items	**(1,114)**	(3,992)
– tax credit on non-underlying items	**22**	125
– adjustment to tax in respect of prior periods on underlying items	**132**	145
– adjustment to tax in respect of prior periods on non-underlying items	**255**	–
Total current tax	**(705)**	(3,722)
Deferred tax (note 15):		
– tax (charge)/credit on underlying items	**(274)**	722
– tax credit on non-underlying items	**237**	361
– adjustment to tax in respect of prior periods on underlying items	**(329)**	75
Total deferred tax	**(366)**	1,158
Income tax expense	**(1,071)**	(2,564)
Income tax expense is attributable to:		
Profit from continuing operations	**(1,071)**	(2,033)
Profit from discontinued operation	**–**	(531)
	(1,071)	(2,564)

The adjustment to tax in respect of prior periods on non-underlying items totaling £255,000 has been created through the benefit from additional research and development relief. The adjustment to tax in respect of prior periods on underlying items totaling £329,000 relates to the reduction in the assumed benefit from share option deductions.

UK corporation tax is calculated at 19.00% (2019: 19.00%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

UK corporation tax rates substantively enacted as part of the March 2021 Bill included an increase of the rate to 25% from 1 April 2023 with a retention of the current rate of 19% for years starting April 2020 to April 2022. The Finance Bill in 2016 had previously enacted a proposed reduction to 17% from 1 April 2020.

6 Income tax expense (continued)

The tax for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Profit from continuing operations before tax	**8,108**	8,775
Profit from discontinued operation before tax	–	22,961
	8,108	31,736
Tax at the UK corporation tax rate of 19.00% (2019: 19.00%)	**(1,540)**	(6,030)
Effects of:		
Adjustment to tax in respect of prior periods	**58**	271
Adjustment in respect of foreign tax rates	**(138)**	(306)
Expenses not deductible for tax purposes	**(27)**	(186)
Exempt gain on disposal	–	3,894
Other	**(29)**	(135)
Research and development tax relief	**618**	–
Recognition of tax losses	–	25
Change in future tax rates	**(13)**	(97)
Total taxation	**(1,071)**	(2,564)

The total tax charge of £1,071,000 (2019: £2,564,000) represents 13.21% (2019: 8.08%) of the Group profit before tax of £8,108,000 (2019: £31,736,000). The prior year reduction in effective rate is due principally to the impact of the exempt gain on disposal of Microgen Financial Systems Limited, see note 27 for details.

After adjusting for the impact of non-underlying items, change in tax rates, share based payment charge and prior year tax charge, the tax charge for the year of £1,643,000 (2019: £3,270,000) represents 18.11% (2019: 24.17%), which is the tax rate used for calculating the adjusted earnings per share. The reduction in rate against the prior year is due to the research and development tax relief obtained in the year.

7 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares in the form of share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

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

	Year ended 31 Dec 2020			Year ended 31 Dec 2019		
	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	**7,037**	**56,339**	**12.5**	29,172	60,280	48.4
Effect of dilutive securities:						
– share options	**–**	**780**	**(0.2)**	–	865	(0.7)
Diluted EPS	**7,037**	**57,119**	**12.3**	29,172	61,145	47.7

For the prior year, 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 22 for details.

The weighted average number of shares in the prior year includes the impact of the share consolidation performed during the year, see note 22 for details. If the impact of this was removed the weighted average number of shares for the year ended 31 December 2019 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 18.11% (2019: 24.17%).

	Year ended 31 Dec 2020		Year ended 31 Dec 2019	
	Basic EPS pence	**Diluted EPS pence**	Basic EPS pence	Diluted EPS pence
Earnings per share	**12.5**	**12.3**	48.4	47.7
Non-underlying items net of tax	**0.8**	**0.8**	(31.0)	(30.6)
Prior years' tax credit	**(0.1)**	**(0.1)**	(0.4)	(0.4)
Adjusted earnings per share	**13.2**	**13.0**	17.0	16.7
Basic earnings per share				
From continuing operations	**12.5**	**12.3**	11.2	11.0
From discontinued operations	**–**	**–**	37.2	36.7
	12.5	**12.3**	48.4	47.7
Adjusted earnings per share				
From continuing operations	**13.2**	**13.0**	12.8	12.5
From discontinued operations	**–**	**–**	4.2	4.2
	13.2	**13.0**	17.0	16.7

7 Earnings per share (continued)

	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Profit on continuing operations before tax and non-underlying items	**9,072**	10,334
Profit on discontinued operation before tax and non-underlying items	**–**	3,196
	9,072	13,530
Tax charge at a rate of 18.11% (2019: 24.17%)	**(1,643)**	(3,270)
	7,429	10,260
Prior years' tax charge	**58**	220
Non-underlying items net of tax	**(450)**	18,692
Profit on ordinary activities after tax	**7,037**	29,172

8 Dividends

	2020 pence per share	2019 pence per share	2020 £000	2019 £000
Dividends paid:				
Interim dividend	**1.80**	1.80	**1,015**	1,144
Final dividend (prior year)	**3.60**	4.40	**2,029**	2,715
	5.40	6.20	**3,044**	3,859
Proposed but not recognised as a liability:				
Final dividend (current year)	**3.60**	3.60	**2,031**	2,024

The proposed final dividend was approved by the Board on 9 March 2021 but was not included as a liability as at 31 December 2020, 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 28 May 2021 to shareholders on the register at the close of business on 7 May 2021.

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

The Group leases various offices which, following the adoption of IFRS 16, 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 improvements £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Group					
Cost					
At 1 January 2020	6,470	441	5,091	502	**12,504**
Additions	543	–	232	–	**775**
Disposals	(466)	(14)	(346)	(42)	**(868)**
Exchange movements	—	(3)	(35)	(5)	**(43)**
At 31 December 2020	**6,547**	**424**	**4,942**	**455**	**12,368**
Accumulated depreciation					
At 1 January 2020	4,621	385	4,011	280	**9,297**
Charge for the year	798	8	674	93	**1,573**
Disposals	(466)	(14)	(323)	(24)	**(827)**
Exchange movements	–	–	(69)	–	**(69)**
At 31 December 2020	**4,953**	**379**	**4,293**	**349**	**9,974**
Net book amount					
At 31 December 2020	**1,594**	**45**	**649**	**106**	**2,394**

	Right-of-use assets £000	Leasehold improvements £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**

9 Property, plant and equipment including right-of-use assets (continued)

	Plant & machinery £000	Total £000
Company		
Cost		
At 1 January 2020	433	**433**
Additions	18	**18**
Disposals	(11)	**(11)**
At 31 December 2020	**440**	**440**
Accumulated depreciation		
At 1 January 2019	311	**311**
Charge for the year	96	**96**
Disposals	(3)	**(3)**
At 31 December 2020	**404**	**404**
Net book amount		
At 31 December 2020	**36**	**36**

	Plant & machinery £000	Total £000
Company		
Cost		
At 1 January 2019	390	**390**
Additions	43	**43**
At 31 December 2018	**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**

10 Goodwill

	31 Dec 2020 £000	31 Dec 2019 £000
Cost		
At 1 January	**23,787**	**66,728**
Disposal of subsidiary (note 27)	**–**	**(42,941)**
At 31 **December**	**23,787**	**23,787**
Accumulated impairment		
At 1 January	**–**	**(17,935)**
Disposal of subsidiary	**–**	**17,935**
At 31 December	**–**	**–**
Net book amount	**23,787**	**23,787**

10 Goodwill (continued)

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	Total £000
At 1 January and 31 December 2020	**23,787**	**23,787**

The disposal of subsidiary during the prior 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 27 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 CGU 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 CGU and a suitable discount rate in order to calculate present value.

For the purposes of performing the goodwill impairment review, the Group have utilised the Board approved plans for the three-year period to 31st December 2023 followed by anticipated growth in operating profit of 10% per annum for the period 2024-2025. The growth rates applied were based on the Group's assessment of the future opportunities within the market.

The terminal growth rates for the period after 2025 are no greater than 2.25% per annum. 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. Following the restructure of the Group, management performed an exercise to re-evaluate the discount rate applied to the CGU. Based on the results, the rate applied in 2020 increased to 12.5% (2019: 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	Customer relationships £000	Total £000
Group			
Cost			
At 1 January and 31 December 2020	**5,012**	**3,449**	**8,461**
Accumulated amortisation and impairment			
At 1 January 2020	1,170	805	1,975
Amortisation	501	345	846
At 31 December 2020	**1,671**	**1,150**	**2,821**
Net book amount			
At 31 December 2020	**3,341**	**2,299**	**5,640**

	Software IPR £000	Customer relationships £000	Total £000
Group			
Cost			
At 1 January 2019	6,033	12,648	18,681
Disposals (note 27)	(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 27)	(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**

The Company held no intangible assets during the year (2019: 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 2020 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 10 years in respect of both software IPR and customer relationships (2019: 10 years).

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

12 Investments in subsidiaries

The Group did not hold any investments in 2020 (2019: nil).

	2020 £000	2019 £000
Company		
Cost		
At 1 January	**56,893**	73,144
Additions	**–**	4,306
Disposals	**–**	(21,175)
Share based payments – share options granted to employees of subsidiaries	**233**	618
At 31 December	**57,126**	56,893
Impairment		
At 1 January and At 31 December	**28,950**	28,950
Net book amount		
At 31 December	**28,176**	27,943

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 27 for details.

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 Software (Singapore) pte. Limited*	Singapore	Software and Services
Aptitude Revstream Inc.*	USA	Software and Services

* Indirectly held by Aptitude Software Group plc

As at 31 December 2020, the Company owns 100% of the ordinary share capital and share premium in the above subsidiaries.

12 Investments in subsidiaries (continued)

The registered office of the Group's principle 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 Software (Poland) sp. Z.o.o.	ul. Muchoborska 6, 54-424 Wroclaw, Poland
Aptitude Software (Singapore) pte. Limited	600 North Bridge Road, #23-01 Parkview Square, Singapore (188778)
Aptitude RevStream Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle Delaware, 19801

13 Other long-term assets

	Group 2020 £000	Group 2019 £000
Prepaid commission costs	**1,472**	1,746

Per IFRS 15, the Group's assessment is that commission incurred on software licence sales meet the definition of incremental costs of obtaining a contract. An asset is therefore recognised at inception of the contract for the total value of commissions payable which is then amortised across the optimisation period assessed for each customer. Further detail on the optimisation period can be found in the Group's revenue recognition policy detailed on page 84.

The Company held no other long term assets during the year (2019: nil).

14 Income tax assets

As at 31 December 2020, the Group has income tax assets totalling £1,803,000 (2019: £2,099,000), of which £1,161,000 (2019: £1,155,000) is expected to be recovered within 12 months. These amounts have been created through the benefit from additional research and development relief and share option deductions and are refundable from the relevant tax authorities or offset against future tax instalments.

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% for balances expected to be recovered within 12 months and 25% for all subsequent periods (2019: 19% for balances expected to be recovered within 12 months and 17% for all subsequent periods). USA deferred tax is calculated using an effective rate of 28% being made up of 21% federal and 7% state tax (2019: 27% made up of 21% federal and 6% state tax).

Deferred tax	**Group 2020 £'000**	Group 2019* £'000	**Company 2020 £'000**	Company 2019 £'000
Deferred tax				
– Deferred tax assets	**448**	1,198	**67**	798
– Deferred tax liabilities	**(1,236)**	(1,502)	**–**	–
Deferred tax (liability)/asset	**(788)**	(304)	**67**	798

* Figures presented above are net of amounts available for offset totaling £498,000.

Net deferred tax (liability)/ asset	**Group 2020 £'000**	Group 2019 £'000	**Company 2020 £'000**	Company 2019 £'000
At 1 January	**(304)**	(2,445)	**798**	132
Total (charge)/credit to income statement for the year	**(611)**	883	**(718)**	764
Charge to equity (note 25)	**(118)**	(29)	**(13)**	(9)
Exchange differences	**–**	(4)	**–**	–
On disposal of subsidiaries	**–**	1,012	**–**	–
Non-underlying deferred tax credit to the income statement for the year	**237**	361	**–**	–
Changes in tax rate	**8**	(82)	**–**	(89)
At 31 December	**(788)**	(304)	**67**	798

Deferred tax assets have been recognised in respect of taxable losses and other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

Deferred tax asset	Accelerated capital allowances £000	Short term timing differences £000	Share-based payments £000	Taxable trading losses £000	Total £000
Group					
At 1 January 2019	102	285	674	76	1,137
Total (charge)/credit to income statement for the year	(13)	401	(235)	823	976
(Charge)/credit to equity (note 25)	–	(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**
Total credit/(charge) to income statement for the year	6	128	(48)	(742)	(656)
Credit/(charge) to equity (note 25)	–	9	(127)	–	(118)
Changes in tax rate	–	(1)	–	–	(1)
At 31 December 2020	**40**	**757**	**124**	**–**	**921**
Amounts offset against deferred tax liability	–	(473)	–	–	(473)
Net deferred tax asset at 31 December 2020	**40**	**284**	**124**	**–**	**448**

At 31 December 2019, the Group had unused tax losses totalling £4,329,000 available for offset against future profits. A deferred tax asset of £742,000 was recognised in respect of these losses as the Group anticipated being able to utilise these in full in the year ending 31 December 2020. In line with expectations, during 2020 these losses were utilised in full. Consequently no unused tax losses at 31 December 2020 were available for offset.

Notes to the
Consolidated Financial Statements

15 Deferred tax (continued)

	Accelerated capital allowances £000	Short term timing differences £000	Share-based payments £000	Taxable trading losses £000	Total £000
Company					
At 1 January 2019	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 25)	–	(8)	(1)	–	(9)
At 31 December 2019	**33**	**18**	**12**	**735**	**798**
Total (charge)/credit to income statement for the year	–	(17)	34	(735)	(718)
Charge to equity (note 25)	–	–	(13)	–	(13)
At 31 December 2020	**33**	**1**	**33**	**–**	**67**

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset.

Deferred tax liability arising on acquisitions of intangible fixed assets and accelerated depreciation

	Accelerated depreciation £000	Intangible fixed assets £000	Total £000
Group			
At 1 January 2019	–	(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 credit to income statement for the year	(93)	–	(93)
At 31 December 2019	**(93)**	**(1,907)**	**(2,000)**
Non-underlying deferred tax credit to the income statement for the year	–	237	237
Total credit to income statement for the year	45	–	45
Change in tax rate	(13)	22	9
At 31 December 2020	**(61)**	**(1,648)**	**(1,709)**
Deferred tax asset amounts offset against deferred tax liability			473
Net deferred tax liability at 31 December 2020			**(1,236)**

Explanation of the movements in the year is provided on page 117.

16 Trade and other receivables

	Group 31 Dec 2020 £000	Group 31 Dec 2019 £000	**Company 31 Dec 2020 £000**	Company 31 Dec 2019 £000
Trade receivables	**5,881**	7,218	**–**	–
Less: provision for impairment of receivables	**–**	(19)	**–**	–
Trade receivables – net	**5,881**	7,199	**–**	–
Other receivables	**499**	1,127	**8**	141
Prepayments	**791**	795	**210**	165
Accrued income	**611**	538	**–**	–
	7,782	9,659	**218**	306

16 Trade and other receivables (continued)

Within the trade receivables balance of £5,881,000 (2019: £7,218,000) there are balances totalling £1,453,000 (2019: £1,934,000) which, at 31 December 2020, were overdue for payment. Of this balance £1,432,000 (2019: £1,313,000) has been collected at 9 March 2021 (2019: 10 March 2020). The ageing of the trade receivables is as follows:

	Trade receivables	
The ageing of the trade receivables is as follows:	**31 Dec 2020 £000**	31 Dec 2019 £000
Not past due	**4,428**	5,284
Past due		
Less than one month overdue	**778**	1,248
One to two months overdue	**184**	50
Two to three months overdue	**222**	299
More than three months overdue	**269**	337
At 31 December	**5,881**	7,218

The Company had no trade receivables in either year.

Trade and other receivables are denominated in the following currencies:

	Group 31 Dec 2020 £000	Group 31 Dec 2019 £000	**Company 31 Dec 2020 £000**	Company 31 Dec 2019 £000
Sterling	**2,954**	6,797	**218**	306
United States Dollars	**4,744**	2,555	**–**	–
Other	**84**	307	**–**	–
	7,782	9,659	**218**	306

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

	Group 31 Dec 2020 £000	Group 31 Dec 2019 £000
At 1 January	**19**	229
Released to income statement	**(19)**	(172)
On disposal of subsidiary	**–**	(38)
At 31 December	**–**	19

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 (2019: £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 carrying 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 (2019: nil) or its intercompany loan balance. 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 2020		31 Dec 2019	
Group	**Assets £000**	**Liabilities £000**	Assets £000	Liabilities £000
Forward foreign exchange contracts – cash flow hedges	**62**	**133**	4	120
	62	**133**	4	120

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 2020 £000	31 Dec 2019 £000
Forward foreign exchange contracts – Polish Zloty	**5,895**	5,506
Forward foreign exchange contracts – US Dollar	**370**	124

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 2020, the fair value of the Group's currency derivatives is estimated to be a liability of approximately £71,000, (2019: £116,000), comprising £62,000 assets (2019: £4,000) and £133,000 liabilities (2019: £120,000), based on quoted market values.

The forward contracts are designated as effective as cash flow hedges in accordance with IFRS 9 'Financial Instruments'. The fair value has been recognised in other comprehensive income and presented in the hedging reserve in equity.

17 Financial instruments (continued)

Derivatives designated in hedging relationships at 31 December 2020:

	Maturity		
Polish Zloty (highly probable forecast purchase)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	**2,976**	**2,919**	**5,895**
Average GBP:Zloty contract value	**5.04**	**4.93**	**4.99**
US dollars (highly probable forecast sales)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	**120**	**250**	**370**
Average GBP:USD contract value	**1.29**	**1.33**	**1.31**

Derivatives designated in hedging relationships at 31 December 2019:

	Maturity		
Polish Zloty (highly probable forecast purchase)	**1-6 months**	**6-12 months**	**Total**
Notional amount (£000)	2,828	2,678	5,506
Average GBP:Zloty contract value	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 value	1.35	–	1.35

The ineffectiveness recognised in the income statement for the year ending 31 December 2020 was a loss of £50,000 (2019: £26,000) which was split between a loss of £75,000 recognised in operating costs partially netted off by a gain of £25,000 in revenue (2019: loss of £14,000 in operating costs and £12,000 in revenue).

The income received from hedging recognised in other comprehensive income during the year ending 31 December 2020 was £45,000 (2019: cost of £186,000).

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.

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

17 Financial instruments (continued)

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 2020		31 Dec 2019	
	Note	Book value £000	Fair value £000	Book value £000	Fair value £000
Group					
Cash at bank and in hand	18	**44,822**	**44,822**	32,965	32,965

		31 Dec 2020		31 Dec 2019	
	Note	Book value £000	Fair value £000	Book value £000	Fair value £000
Company					
Cash at bank and in hand	18	**37,347**	**37,347**	28,373	28,373

The carrying amount of borrowings, short term payables and receivables, net of impairment, is approximately equal to their fair value.

Neither the Group or the Company held any external loan balances during the year.

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to the customer type.

Group	2020 £000	2019 £000
Trade receivables		
Banks and financial institutions	**1,706**	3,314
Other corporates	**2,722**	1,970
Total current trade receivables	**4,428**	5,284
Overdue trade receivables	**1,453**	1,934
Total trade receivables	**5,881**	7,218

Cash at bank and short-term bank deposits	**Current Rating (Moody's)**	**2020 £000**	**2019 £000**
	Aa2	**150**	11,281
	Aa3	**35,132**	8,823
	A1	**8,390**	–
	A2	**1,150**	12,861
		44,822	32,965

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 2020 £000	Group 31 Dec 2019 £000	**Company 31 Dec 2020 £000**	Company 31 Dec 2019 £000
Sterling	**37,349**	28,380	**37,347**	28,373
United States Dollar	**6,826**	4,090	**–**	–
Polish Zloty	**283**	320	**–**	–
Canadian Dollar	**364**	175	**–**	–
Cash at bank and in hand	**44,822**	32,965	**37,347**	28,373

The effective interest rate on short term deposits was 0.2% (2019: 0.4%).

19 Trade and other payables

	Group 31 Dec 2020 £000	Group 31 Dec 2019 £000	**Company 31 Dec 2020 £000**	Company 31 Dec 2019 £000
Trade payables	**600**	1,509	**58**	357
Amounts owed to group undertakings	**–**	–	**1,965**	3,549
Other tax and social security payable	**2,020**	1,549	**–**	34
Other payables	**166**	92	**–**	–
Accruals	**5,163**	4,130	**423**	433
Deferred income	**25,703**	22,842	**–**	–
	33,652	30,122	**2,446**	4,373

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

The company paid £1,577,000 to group undertakings during the year (2019: borrowed £6,745,000) 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 the table above with the prior year cash impact incorporating non-cash movements totalling £7,000 (2019: £1,617,000).

20 Capital lease obligations

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

	Group 31 Dec 2020 £000	Group 31 Dec 2019 £000
Amounts payable under capital lease arrangements:		
Within one year	**908**	901
Within two to five years	**1,084**	1,171
After five years	**–**	229
Total	**1,992**	2,301
Less: future finance charges	**(139)**	(178)
Present value of lease obligations	**1,853**	2,123
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(881)**	(835)
As at 31 December	**972**	1,288

20 Capital lease obligations (continued)

The present value of financial lease liabilities is split as follows:	Group 31 Dec 2020 £000	Group 31 Dec 2019 £000
Within one year	**881**	835
Within two to five years	**972**	1,064
After five years	**–**	224
	1,853	2,123

The Company had no capital lease obligations during the year (2019: nil).

	Group 31 Dec 2020 £000	Group 31 Dec 2019 £000
Amounts payable under capital lease arrangements reconciliation		
Liability as at 1 January	**2,123**	3,955
Additions	**543**	–
Interest	**100**	93
On disposal of subsidiary	**–**	(815)
Foreign exchange	**11**	17
Repayments	**(924)**	(1,127)
Liability as at 31 December	**1,853**	2,123

21 Provisions

	Provisions	
	31 Dec 2020 £000	31 Dec 2019 £000
Group		
At 1 January	**375**	424
Charged to income statement	**69**	90
On disposal of subsidiary	**–**	(132)
Foreign exchange	**(3)**	(7)
At 31 December	**441**	375

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

	Provisions	
	31 Dec 2020 £000	31 Dec 2019 £000
Current	**–**	38
Non-current	**441**	337
	441	375

£386,000 (2019: £317,000) of the total provision at 31 December 2020 of £441,000 (2019: £375.000) relates to the cost of dilapidations in respect of its occupied leasehold premises.

All of the non-current provision is expected to unwind within 2 to 5 years (2019: £337,000).

22 Share capital

Group and company	31 Dec 2020 Number	31 Dec 2020 £000	31 Dec 2019 Number	31 Dec 2019 £000
Ordinary shares of 7 1/3p each				
Issued and fully paid:				
At 1 January	**56,217,970**	**4,128**	61,172,930	3,932
Issued under share option schemes	**210,997**	**15**	2,595,321	170
Deferred equity consideration on acquisition	**–**	**–**	398,518	26
Share reorganisation	**–**	**–**	(7,948,799)	–
At 31 December	**56,428,967**	**4,143**	56,217,970	4,128

On 3 September 2019, 398,518 shares in respect of the deferred equity consideration arising on the acquisition of Aptitude Revstream Inc were issued. These have previously been classified as shares to be issued and included within the share capital balance b/f of £3,958,000.

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 below for details.

	31 Dec 2020 Number	31 Dec 2020 £000	31 Dec 2019 Number	31 Dec 2019 £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.

22 Share capital (continued)

The number of ordinary shares for which the Group's employees hold options and the period to which the options are exercisable are as follows (note 29):

Period	Year of grant	Exercise price	2020 Number	2019 Number
Between 1 November 2019 and 1 May 2020	2016	190.5p	–	18,896
Between 1 November 2019 and 1 May 2020	2016	186.5p	–	13,644
Between 1 November 2020 and 1 May 2021	2017	450.5p	26,486	32,957
Between 1 November 2020 and 1 May 2021	2017	433.0p	73,377	98,048
Between 1 December 2020 and 1 June 2021	2017	400.0p	27,189	69,269
Between March 2022 and 10 August 2027	2017	6 3/7p	75,327	99,772
Between March 2020 and 10 August 2027	2017	6 3/7p	4,601	54,984
Between March 2020 and 15 March 2021	2017	6 3/7p	–	191,507
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	86,277	119,000
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	27,235	37,349
Between 1 November 2021 and 1 May 2022	2018	418.0p	119,107	137,824
Between 12 March 2022 and 10 August 2029	2019	7 1/3p	147,786	147,786
Between 12 March 2024 and 10 August 2029	2019	7 1/3p	94,573	118,494
Between 1 November 2022 and 1 May 2023	2019	590.0p	16,933	224,059
Between 1 November 2022 and 1 May 2023	2019	600.0p	119,452	43,656
Between 12 March 2023 and 10 August 2030	2020	7 1/3p	261,397	–
Between 12 March 2025 and 10 August 2030	2020	7 1/3p	123,669	–
Between 1 November 2023 and 1 May 2024	2020	460.0p	337,757	–
Between 1 November 2023 and 1 May 2024	2020	446.0p	79,801	–
			1,769,616	1,555,894

23 Share premium account

	2020 £000	2019 £000
Group and Company		
At 1 January	**7,660**	6,488
Premium on shares issued during the year under the share option schemes	**168**	1,172
At 31 December	**7,828**	7,660

The total net proceeds from the issuance of shares during the year was £183,000 (2019: £1,368,000) with £15,000 (2019: £198,000) 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.

24 Other reserves

	Derivatives hedge reserve £000	Merger reserve £000	Total £000
Group			
At 1 January 2019	70	34,195	34,265
– net fair value losses in the period	(186)	–	(186)
At 31 December 2019	(116)	34,195	34,079
Cash flow hedges			
– net fair value gains in the period	45	–	45
At 31 December 2020	**(71)**	**34,195**	**34,124**

	Derivatives hedge reserve £000	Merger reserve £000	Total £000
Company			
At 1 January 2019	6	17,398	17,404
Cash flow hedges			
– net fair value losses in the period	(6)	–	(6)
At 31 December 2019 and 31 December 2020	**–**	**17,398**	**17,398**

25 (Accumulated losses)/retained earnings

	Group £000	Company £000
At 1 January 2019	8,010	23,690
Profit for the year	29,172	38,687
Share options - value of employee service (note 29)	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
Profit for the year	7,037	12,610
Share options – value of employee service (note 29)	337	337
Deferred tax on financial instruments (note 15)	9	–
Deferred tax on share options (note 15)	(118)	(13)
Corporation tax on share options	763	44
Dividends paid (note 8)	(3,044)	(3,044)
At 31 December 2020	**(6,165)**	**22,407**

The profit for the financial year dealt with in the financial statements of the Company was £12,610,000 (2019: £38,687,000). 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 £22,407,000 retained earnings, £21,150,000 (2019: £11,127,000) is distributable to shareholders following adjustment for the cumulative impact of share options value of service through reserves.

Notes to the Consolidated Financial Statements

26 Cash flows from operating activities

Reconciliation of profit before tax to net cash generated from operations:

	Group Year ended 31 Dec 2020 £000	Group Year ended 31 Dec 2019 £000	**Company Year ended 31 Dec 2020 £000**	Company Year ended 31 Dec 2019 £000
Profit before tax for the period from:				
Continuing operations	**8,108**	8,775	**13,375**	38,687
Discontinued operations	**–**	22,961	**–**	–
Profit before tax including discontinued operations	**8,108**	31,736	**13,375**	38,687
Adjustments for:				
Depreciation	**1,573**	1,844	**96**	127
Overseas taxation	**–**	713	**–**	–
Amortisation	**846**	1,392	**–**	–
Share-based payment expense	**337**	1,033	**102**	108
Gain on sale of subsidiary, excluding direct costs incurred	**–**	(23,657)	**–**	(30,236)
Finance income	**(61)**	(158)	**(22)**	(5)
Finance costs	**100**	326	**–**	77
Dividend income	**–**	–	**(16,006)**	(13,000)
Changes in working capital excluding the effects of acquisition:				
Decrease/(increase) in receivables	**1,917**	1,493	**88**	(54)
Increase/(decrease) in payables	**3,484**	3,900	**(343)**	(235)
Increase in provisions	**(66)**	(202)	**–**	–
Cash generated from/(used in) operations	**16,238**	18,420	**(2,710)**	(4,531)
Cash generated from/(used in) operations is from:				
Continuing operations	**16,238**	15,295	**(2,710)**	(4,531)
Discontinued operations	**–**	3,125	**–**	–
	16,238	18,420	**(2,710)**	(4,531)

27 Discontinued operations

27 (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 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 27(b) below).

27 (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.

Income statement	Period from 1 Jan 2019 to 28 June 2019 £000
Revenue	8,089
Operating costs	(4,866)
Adjusted Operating Profit	3,223
Non-underlying items	(540)
Operating profit	2,683
Finance income	2
Finance costs	(29)
Profit before income tax	2,656
Income tax expense	(531)
Profit after tax from discontinued operation	2,125
Gain on sale of subsidiary after tax (see (c)	20,305
Profit from discontinued operation	22,430
Other comprehensive income	
Items that will or may be reclassified to profit or loss:	
Currency translation gain	22
Other comprehensive income from discontinued operations	22,452
Profit from non-underlying items is generated from:	
Non-underlying operating costs	(540)
Gain on disposal of subsidiary	20,305
Income tax credit	116
Cash flow statement	19,881
Net cash generated from operating activities	3,125
Net cash generated from investing activities (includes an inflow of £47,152,000 from the sale)	47,078
Net cash generated from financing activities	554
Net increase in cash generated by the subsidiary	50,757

Notes to the
Consolidated Financial Statements

27 Discontinued operations (continued)

27(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 asset	**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 Commitments

The Group and Company have no commitments other than short term leases or a lease of low-value asset during the year (2019: £nil).

29 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.

416,211 options were granted on 7 September 2020 (2019: 266,280 awards granted). The performance conditions are in line with those described for the Executive Directors on page 58.

The inputs inserted into the Monte Carlo Pricing model for the options granted in 2020 are detailed below.

Item	Value
Exercise price	7 1/3p
Expected volatility	35%
Dividend yield	1.2%
Risk-free interest rate	0%

For the calculation of expected volatility, historical share price volatility was used as a guide over a commensurate period to the expected term of awards.

29 Share based payments (continued)

At the year end there were 28 (2019: 28) employees currently participating in the scheme. Exercise of an option is subject to continued employment. Exercise of an option post employment will only be permitted in certain circumstances, as described on page 51 of the Directors' remuneration report.

Details of the share options outstanding under the PSP during the year are as follows:

	2020		2019	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**880,192**	**6.72p**	2,718,666	6.08p
Granted	**416,211**	**7 1/3p**	266,280	7 1/3p
Exercised	**(152,676)**	**6.54p**	(1,972,001)	5.94p
Lapsed	**(201,448)**	**6.64p**	(15,896)	6 3/7p
Forfeited	**–**	**–**	(116,857)	6 3/7p
Outstanding at 31 December	**942,279**	**6.72p**	880,192	6.72p
Exercisable at 31 December	**4,601**	**6 3/7p**	–	

152,676 PSP share options were exercised in 2020. The weighted average share price at the date of exercise for share options exercised during 2020 under the Share Option Plans was 396p.

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 8.63 years (2019: 7.13 years).

During 2020, the Remuneration Committee has approved an amendment to the EPS performance condition of the 2018 Performance Share Plan awards held by non-Board members. The EPS performance condition for current or past Directors remained unchanged. The amendment was made to ensure that award holders remained motivated by the performance conditions and to support retention. The amendment was made in accordance with the rules of our Performance Share Plan and still required a stretching level of EPS performance to be delivered. No changes were made to the TSR performance condition.

Performance period	Amended EPS performance condition
01/01/2018 to 31/12/2020	0% to vest below EPS of 11.8p for 2020
	50% to vest at EPS of 11.8p or above for 2020
	No vesting over 50% if EPS of 11.8p is exceeded

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, 245 employees (2019: 252) 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.

29 Share based payments (continued)

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

	2020 Number	2020 Weighted average exercise price	2019 Number	2019 Weighted average exercise price
Outstanding at 1 January	**675,702**	**433.51p**	1,203,262	293.44p
Granted	**421,259**	**457.35p**	267,715	598.37p
Exercised	**(58,321)**	**297.38p**	(623,320)	196.67p
Lapsed	**(207,346)**	**528.90p**	(165,324)	348.23p
Forfeited	**(3,957)**	**400.00p**	(6,631)	447.82p
Outstanding at 31 December	**827,337**	**452.25p**	675,702	433.51p
Exercisable at 31 December	**127,052**	**429.59p**	32,540	188.82p

The inputs inserted into the Black Scholes Pricing model for the options granted in 2020 are detailed below.

Item	Value
Exercise price	446p-460p
Expected volatility	35%
Dividend yield	1.2%
Risk-free interest rate	0%
Expected cancellation rate	5%

For the calculation of expected volatility, historical share price volatility was used as a guide over a commensurate period to the expected term of awards.

The weighted average share price at the date of exercise for share options exercised during the year under the Share Option Plans was 434.6p (2019: 572.7p).

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 2.34 years (2019: 2.34 years).

The Group recognised total expenses of £337,000 (2019: £1,033,000) related to equity-settled share-based payment transactions during the year. The reduction in charge from the prior year has been created through the benefit from both the amendment to the EPS performance conditions of the 2018 Performance Share Plan awards and certain employee options lapsing. After deferred tax, the total charge in the income statement was £455,000 (2019: £1,044,000). There was a deferred tax charge of £118,000 (2019: credit of £11,000) and a corporation tax credit of £763,000 (2019: £1,544,000) due to the number of shares exercised in the period taken directly to equity.

The Company recognised total expenses of £104,000 (2019: £116,000) related to equity-settled share-based payment transactions during the year. After deferred tax, the total charge in the income statement was £117,000 (2019: 117,000). There was a deferred tax charge of £13,000 (2019: £1,000) and a corporation tax credit of £44,000 (2019: charge of £49,000) taken directly to equity.

30 Retirement benefit schemes

The Group operates defined contribution retirement benefit plans for qualifying employees in the UK. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The Group also operates defined contribution retirement benefit plans for its overseas employees with contributions up to 6% of basic salary.

The total expense from continuing operations recognised in the income statement of £930,000 (2019: £861,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2020, contributions totalling £35,000 (2019: £39,000) due in respect of the 2020 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.

31 Related party transactions

Group

The following transactions were carried out with related parties:

During 2020, 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 £231,000 (2019: £762,000).

During the prior year, 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.

The Company acts as the Group's treasury vehicle and during the year owed a net £1,965,000 to its subsidiary companies (2019: £3,549,000).

There were no further related party transactions in the year ended 31 December 2020 (2019: nil), as defined by International Accounting Standard No 24 "Related Party Disclosures" other than key management compensation as disclosed in note 4.

32 Post balance sheet events

Since the year end, new country by country guidance took effect in respect of the United Kingdom's withdrawal from the European Union. The withdrawal represents a non-adjusting event for the purposes of these financial statements and, even if it had represented an adjusting event the Directors believe the impact of this would have been immaterial, this is based on the conclusions set out within the Strategic Report.

In addition, the Group continues to be affected by the global restrictions implemented by governments in response to the COVID-19 outbreak detailed within the Strategic Report. This impact remains unchanged since the year end.

Shareholder Information

Size of shareholding	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
1 – 1,000	556	56.5%	166,239	0.3%
1,001 – 5,000	213	21.6%	492,147	0.9%
5,001 – 50,000	114	11.6%	1,911,554	3.4%
50,001 – 500,000	70	7.0%	12,139,003	21.5%
500,001 – above	32	3.3%	41,728,073	73.9%
Total	**985**	**100%**	**56,437,016**	**100%**

Investor Type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
Nominee Companies	223	22.6%	46,639,914	82.7%
Bank & Bank Nominees	7	0.7%	4,685,751	8.3%
Private Shareholders	704	71.5%	2,103,048	3.7%
Pension Funds	1	0.1%	795,460	1.4%
Limited Companies	11	1.1%	55,534	0.1%
Other Institutions	15	1.5%	2,127,930	3.8%
Deceased Shareholders	24	2.4%	29,379	0.1%
	985	**100%**	**56,437,016**	**100%**

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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 Group.

Please note that calls will cost 12p per minute plus network extras. Lines are open 9.00 am – 5.30 pm Monday to Friday, excluding public holidays.

Annual General Meeting

The forthcoming Annual General Meeting will be held at 9.00 a.m. on Tuesday, 27 April 2021 at 50-60 Station Road, Cambridge, Cambridgeshire CB1 2JH. 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. Due to ongoing COVID-19 pandemic restrictions on public gatherings at the time of writing, it is strongly recommended that shareholders do not attend this meeting. Shareholders are instead encouraged to vote by proxy and to submit questions ahead of the meeting. Details of how to do this are contained in the Notice of Annual General Meeting. We will notify shareholders ahead of the Annual General Meeting should this situation change.

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.

Headquartered in London, Aptitude Software is an operating company of Aptitude Software Group plc.

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Aptitude™ SOFTWARE

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