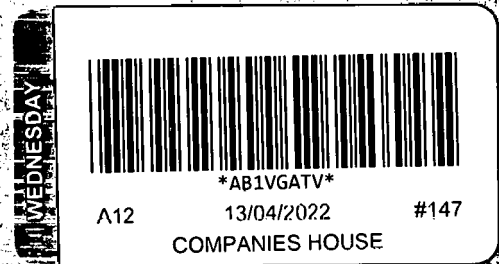


ANNUAL REPORT 2021



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

Jeremy Suddards

Chief Executive Officer

Jeremy was appointed to the Aptitude 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. Philip is also a Non-Executive Director and Chair of the Audit Committee of SmartSpace Software plc.

Peter Whiting

Senior Independent Non-Executive Director / Chair of Remuneration Committee

Peter Whiting was appointed as a Non-Executive Director on 2 February 2012. As at the date of this report, Peter is Chair of the Remuneration Committee and Senior Independent Director. He will hand over these responsibilities following the publication of this report, and will not be seeking re-election at the Annual General Meeting to be held on 28 April 2022. Peter is Senior Independent Director and Chair of the Remuneration Committee of FDM Group (Holdings) plc, a Non-Executive Director and Chair of the Remuneration Committee of D4T4 Solutions plc and Non-Executive Chair of Kooth plc. Until May 2021, Peter was also a Senior Independent Director and Chair of the Audit Committee of Keystone Law Group plc.

Barbara Moorhouse

Non-Executive Director / Chair of Audit Committee

Barbara Moorhouse was appointed as a Non-Executive Director on 1 April 2017 and as at the date of this report, Barbara is Chair of the Audit Committee. Following the publication of this report, Barbara will become Senior Independent Director and Chair of the Remuneration Committee and, at the same time, she will hand over the Audit Committee Chair role to Sara Dickinson. Barbara has extensive senior experience in operating and financial roles across the public and private sectors. Her most recent executive roles were as Chief Operating Officer at Westminster City Council, and Director General at Ministry of Justice and Department for Transport. Earlier in her career, she was Chief Financial Officer at two international listed software companies – Kewill Systems plc and Scala Business Solutions NV. Barbara is Independent Chair of Agility Trains, a Non-Executive Director of Balfour Beatty plc, and Senior Independent Director and Chair of the Audit Committee of Medica Group plc. As at the date of this report, Barbara is also Chair of the Rail Safety and Standards Board, but she will step down from this role in May 2022.

Sara Dickinson

Non-Executive Director

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

Georgina Sharley

Company Secretary

Georgina Sharley was appointed as Company Secretary on 10 December 2018. She is a member of The Chartered Governance Institute and has 21 years' experience in supporting United Kingdom listed companies and groups with fulfilling their corporate governance and statutory compliance obligations.

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About Aptitude Software

Aptitude Software helps complex organizations automate and transform their financial business models. Our core areas of focus are the accelerating digitization of the finance function, and the global push to deploy and manage subscription offerings. Aptitude Software also continues to support clients through complex regulations which often form the catalyst for broader transformation.

Finance digitization allows finance leaders to improve the speed of their function, enhance the quality of its outcomes, and do so at a lower cost. Aptitude Software's products draw data from complex, often siloed systems, automate its processing through complex accounting calculations, and create a unified view of finance. Businesses are left with a transparent view of their data, delivered with extreme performance and at a lower cost of ownership.

Subscription management is an increasingly critical driver for novel and traditional businesses alike, who need to launch new offerings frequently, in ways which appeal to their customers and allow them to outperform their peers. Aptitude Software's products power the acquisition, monetization, and retention of subscribers straight through to revenue. With Aptitude Software, businesses can take new subscriptions to market quickly, retain their high value recurring revenue, and stay one step ahead of the competition.

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

Key Operational and Financial Highlights

Year ended 31 December	2021	2020	% Change
Annual Recurring Revenue ¹ at year end	£41.8m	£31.4m ²	33%
Software revenue	£36.9m	£30.5m	21%
Services revenue	£22.4m	£26.8m	(16%)
Total Revenue	£59.3m	£57.3m	3%
Adjusted Operating Profit ³	£9.9m	£9.1m	9%
Statutory operating profit	£6.5m	£8.1m	(20%)
Operating cash flow percentage ⁴	151%	178%	(15%)
Cash and cash equivalents at year end	£29.1m	£44.8m	(35%)
Net funds	£16.1m	£42.9m	(62%)
Adjusted Basic Earnings per Share ³	14.2p	13.2p	8%
Basic Earnings per Share	9.0p	12.5p	(28%)

- Organic growth in Annual Recurring Revenue ('ARR') of 10% on a constant currency² basis
- Software revenue, the strategic focus of the Group, grew 21% to £36.9 million (2020: £30.5 million), organic growth of 15%, representing 62% of total revenue (2020: 53%)
- Continued balance sheet strength with cash of £29.1 million (2020: £44.8 million) and net funds⁵ of £16.1 million (2020: £42.9 million) following the MPP Global acquisition in October 2021

Strategic Progress:

- Aptitude Software is well positioned to benefit from the two recognised strategic growth drivers of finance digitization and subscription management
- Increased investment accelerates the launch of Fynapse, the Group's next generation strategic digital finance platform, lowering the overall total cost of ownership and significantly increasing performance for our clients whilst opening new markets for Aptitude Software and our partners
- Strategic acquisition of MPP Global, for total consideration of £39.1 million, provides the Group with differentiated end-to-end revenue automation capabilities to serve the fast growing subscription economy in existing and new industry verticals
- The investments provide long-term and non-cyclical growth opportunities which the Board anticipates will lead to an acceleration in the growth of both Annual Recurring Revenue and margin in the medium term

Operational Highlights:

- New business success across all the Group's key regions and verticals
- Continued success with Aptitude Revenue Management including a growing number of clients in recently identified industry verticals of the subscription economy
- A number of multi-year agreements signed with insurers in all of the Group's geographies for the use of Aptitude Insurance Calculation Engine and Aptitude Accounting Hub to drive regulatory compliance
- Expansion of relationships within the Group's existing client base, including both the sale of new products and solution management services
- The partner programme, a key source of new business opportunities in all regions, is demonstrating maturity with further partner enablement and new go to market propositions developed in the year

Throughout this announcement:

- 1 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.
- 2 Constant currency is calculated by comparing the 2021 results with 2020 results retranslated at the rates of exchange prevailing during 2021. Items within the Financial Highlights table indicated by this superscript reference are calculated on a constant currency basis.
- 3 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.
- 4 Operating cash flow percentage is measured by comparing the cash generated from operations as a percentage of operating profit adjusted for the non-underlying items with no cash effect
- 5 Net funds represents cash and cash equivalents less finance obligations, which are currently made up of external loan financing and 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

In 2021 Aptitude Software achieved new business success across all the Group's portfolio and regions whilst significantly accelerating the Group's product strategy to meet the market needs.

The Group secured a good number of new business wins and contract expansions in the insurance and technology, media and telecom ('TMT') sectors, together with a continued growing number of clients in new industry verticals. These additions led to organic growth in Annual Recurring Revenue of 10% (2020: 11%) on a constant currency basis.

A number of strategic milestones were achieved during the course of the year, these included:

- the acceleration of development to launch Fynapse, the Group's next generation digital finance platform, ahead of original expectations. Aptitude Software is already working closely with a major global telecoms client as it looks to take advantage of this new platform with the wider market launch of the product brought forward to March 2022. Fynapse provides differentiated finance digitization capability to a market in which the Group already has outstanding credentials with the successful Aptitude Accounting Hub; and
- the acquisition of MPP Global which further strengthens Aptitude Software's capability in subscription management, a fast growing market in which the Group already has a strong market presence. Integration of the acquired product is progressing well and expected to conclude in the second half of 2022 with the intent to deliver a best-of-breed subscription management solution. The Group is already seeing encouraging interest from the MPP Global eSuite users in the wider Aptitude Software product set as clients seek full end-to-end revenue automation.

Fynapse is one of the key drivers to the Group's long-term success. As a result, the decision has been made to further increase investment in the Group's product strategy in 2022 and 2023 to ensure the opportunity with this next generation digital finance platform is fully realised. Fynapse dramatically lowers the total cost of ownership and significantly increases performance for users whilst opening new markets for Aptitude Software and our partners. Following the period of increased investment, the Group expects to see an acceleration in the growth of both Annual Recurring Revenue and margin as the benefits of Fynapse are realised.

To support the go to market activities in our two key growth areas, focus has also been to continue to strengthen the Group's high-quality partner network. This has been highlighted by the complementary network of MPP Global already identifying a number of early stage cross sell opportunities. In addition to an increase in pipeline generation from partners, a number of new organisations have been enabled to implement Aptitude Software's products for the first time, providing our clients with an increasing choice of partners with whom to implement the Group's technology.

The Board continues to be thankful for the talent, commitment and resilience of its people. Investment continues in the development of management and the wider team with a number of initiatives commenced in the year. Aptitude Software welcomes the MPP Global team to the Group and looks forward to seeing their careers advance within the business.

In December 2021 the Group moved into new offices in London. The office supports collaboration through its innovative design and provides an attractive work environment for the now hybrid working team, an approach that will be rolled out in due course to the Group's other locations.

Dividend

The Board has proposed a final dividend of 3.60 pence per share (2020: 3.60 pence), making a total ordinary dividend of 5.40 pence per share for the year (2020: 5.40 pence). Subject to shareholder approval at the Group's Annual General Meeting in April 2022, the proposed final dividend will be paid on 3 June 2022 to shareholders on the register at 13 May 2022.

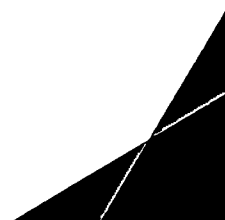
Outlook

Aptitude Software's growing portfolio of products, increasing worldwide presence and mature partner network provides the Group with long term and non-cyclical growth opportunities as the business increases investment in its two strategic growth drivers of finance digitization and subscription management.

Whilst the accelerated investment in the product suite is anticipated to dampen short term profitability, the Board fully expect to see continual growth and Annual Recurring Revenue growth throughout this period, with improving margins delivered from 204 and beyond. The Board believes this accelerated strategic investment will create longer term sustainable value for the Group and our shareholders.

Ivan Martin
Chairman

14 March 2022



Chief Executive Officer's Report

Introduction

Aptitude Software's core areas of long term focus are the accelerating digitization of the finance function, and the global push to deploy and manage subscription offerings. Aptitude Software also continues to support clients through complex regulations which often form the catalyst for broader transformation.

Finance digitization allows finance leaders to improve the speed of their function, enhance the quality of its outcomes, and do so at a dramatically lower total cost of ownership for a modern finance function. Aptitude Software's products receive data from complex, often siloed systems, automate its processing through complex accounting calculations, and create a unified view of business performance. Businesses are left with a transparent view of their finance data, delivered in a near real time basis and at a lower cost of ownership.

Subscription management is an increasingly critical driver for new economy and traditional businesses alike. Aptitude Software's products now power the acquisition, billing, and retention of subscribers straight through to revenue reporting. With Aptitude Software, businesses can take new subscriptions to market quickly, retain their high-value recurring revenue, and stay ahead of the competition.

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

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

Software development, together with a growing number of other services, continues to be performed at the Aptitude Innovation Centre in Poland, with the acquisition of MPP Global in 2021 providing a second long-term innovation centre for the Group at its headquarters in the North West of England. Sales, support and implementation services are provided from Aptitude Software's offices in London, North West England, North America and Singapore.

Corporate Strategy and MPP Global Acquisition

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

The Group undertook a number of strategic activities during 2021, with details of these provided in the sections below. These activities are focused on continuing to drive an acceleration of growth in the software revenues which now represent 62% of overall revenue (2020: 53%). 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.

MPP Global Acquisition

In the final quarter of 2021, the Group completed the strategic acquisition of MPP Global Solutions Limited, an international provider of cloud-based subscription management and billing technology ('eSuite'), for aggregate consideration of £39.1 million. The acquisition reflects Aptitude Software's strategy of acquiring businesses which accelerate the Group's product strategy and support its continued global growth by further strengthening the Group's subscription management capabilities, a market in which the Aptitude Revenue Management product set already has a strong presence.

MPP Global was considered a particularly strong acquisition opportunity within subscription management due to:

- the ability to integrate eSuite and the Group's Aptitude Revenue Management solution to create a differentiated end-to-end subscription, billing, and revenue automation solution;
- the complementary nature of eSuite and Aptitude Revenue Management bringing a number of cross-sell opportunities;
- a shared focus on the largest of companies, typically organisations with complex business models;
- a high proportion of recurring revenue; and
- a high quality innovation centre in the North West of England.

Integration of Aptitude Software and MPP Global is progressing well as outlined later within this report.

Finance Digitization

Market Drivers

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

Finance Digitization Products

A key highlight in 2021 is the investment in Fynapse, the Group's next generation strategic digital finance platform which is being launched to the market in March 2022. Fynapse provides finance digitization capability to a market in which the Group already has outstanding credentials with the successful Aptitude Accounting Hub, a product that continued to secure new agreements with a number of organisations in the year.

Fynapse

The Fynapse application, Aptitude Software's newest solution, is a modular, cloud native, high performance platform addressing an organisations' need to drive finance digitization to continue the transformation of their wider businesses. The application builds on the successful Aptitude Accounting Hub, centralising and automating finance, accounting and reporting processes, creating a deep level of operational intelligence for our clients. It delivers a brand new user centric interface with a consolidated, yet highly granular, view of financial data which enhances business insights to assist decision making. Importantly, Fynapse has been built in cloud native technologies providing extreme levels of performance but at the lowest total cost of ownership for finance functions.

Success with the application has already been achieved with the Group working closely with a global telecoms client as it looks to migrate to this new platform to take advantage of the new features.

The modular design and ease of integration also allows the market opportunity to extend beyond our current industries into adjacent verticals, shortening typically long implementation cycles and allowing our partner network to implement efficiently, with minimal risk, short time-to-benefit and at a competitive total cost of ownership.

The platform also offers partners the opportunity to co-create and license their own IP, further accelerating and differentiating their services, whilst the application's lower total cost of ownership and scalability of innovative cloud-native technologies provide the business with greater go to market reach through the unlocking of new prospect tier opportunities.

Whilst the Aptitude Accounting Hub continues to achieve success, to maintain clear competitive advantage and differentiation over competing applications from much larger enterprise focused ERP providers, Aptitude Software has chosen to bring forward investment in Fynapse. Accordingly, the Group has made the strategic decision to accelerate investment in Fynapse to capitalize on the mid-term market opportunity. With direct costs of approximately £1.5 million focused on this new product in 2021, this strategic investment will approximately double in 2022 as the product's capabilities are further extended.

Based on its capabilities and the positive feedback received from both our existing global telecoms client and global partners, the Group has confidence in the success of Fynapse which is expected to be a key growth driver for the business in future years.

Aptitude Insurance Calculation Engine

Further progress with the Aptitude Insurance Calculation Engine ('AICE'), the application addressing the requirements of IFRS 17 (effective for accounting periods commencing 1 January 2023), has been achieved in 2021. Building on the new business successes announced earlier in the year within the insurance market, Aptitude Software secured a number of new agreements in this sector across all of the Group's geographies in the second half of 2021 including a significant multi-year SaaS subscription agreement signed with a global insurer for the use of the Group's IFRS 17 solution. A number of sales were also achieved for the IFRS 17 "Comply" product, a simplified and pre-configured package of the existing IFRS 17 solution designed to provide a faster and more efficient path to IFRS 17 compliance.

Chief Executive Officer's Report

AICE is a strategic, transformational application providing value to an insurer beyond compliance. It enables data insights and decision support delivering long-term business benefits. Development of the product has continued with a number of new innovative capabilities being added, particularly in the area of simulation and forecasting, these capabilities are expected to expand the footprint with existing accounts. Demand is expected to continue in 2022, principally with smaller and medium-sized insurers.

Aptitude Accounting Hub

The Group continued to leverage the capabilities of the Aptitude Accounting Hub ('AAH') in 2021, securing new agreements with a number of organisations as they seek to automate and transform their finance functions. A highlight during the second half of the year was the entry into a significant multi-year subscription with a fast growing global insurer for the use of AAH concurrently with the Aptitude Calculation Engine, delivered through SaaS, to support the foundation for wider group automation as the business expands. Whilst further sales of AAH will be achieved, particularly when used in conjunction with our other regulatory focused applications, we do expect that an increasing number of clients seeking to automate and transform their finance function will opt for Fynapse in the future.

Subscription Management

Market Drivers

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

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

Subscription Management Products

A key highlight in 2021 was the acquisition of MPP Global, bringing the eSuite platform into the Group.

eSuite

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

The application is focused on the subscription economy and provides identity management, CRM, automated billing, payment processing, and churn management capabilities, enabling businesses to acquire, monetize and optimise customers subscriptions.

eSuite's ability to manage both physical and digital subscriptions means it is well positioned to expand Aptitude Software's revenue management offering into an end-to-end subscription, billing, and revenue automation solution and is expected to provide further opportunities for automation and growth within Aptitude Software's existing customer base while also supporting new business opportunities. Integration of the two platforms is progressing well and is expected to be completed during the second half of 2022 and there is already encouraging interest in both the eSuite client base and wider market for this end-to-end solution. Investment continues being made in broadening the capabilities of the eSuite platform to access new markets.

Alongside the investment in the product integration between eSuite and Aptitude Revenue Management, the integration of the eSuite team and the wider Aptitude Software business is progressing in line with expectations.

Good progress has also been achieved on a number of implementations in the UK and Europe in the period of the Group's ownership. In addition, the business is working very closely with a new prestigious global multi-media organisation as it seeks to further monetise its digital content outside of its home territory.

Aptitude Revenue Management ('ARM')

The Group's leading revenue management application Aptitude RevStream has continued to make good progress in 2021. The product continues to achieve standalone new business success with a highlight being a multi-year agreement with a publicly traded health care equipment company in California selecting both ARM alongside the Aptitude Lease Accounting Engine application providing further evidence of the expansion of the subscription economy into new industry sectors.

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

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

A number of opportunities within the recently acquired eSuite user base have been identified which will benefit from this capability once the integration between the products is complete.

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

The Group has continued to successfully leverage its established SaaS capabilities during 2021 across its entire product portfolio with the adoption of SaaS being significantly faster than originally anticipated.

As a result, since February 2021 all new clients have chosen to deploy the Group's software in this way leading to SaaS subscription fees as a proportion of Annual Recurring Revenue increasing organically to 31% as at 31 December 2021 (2020: 23%). Including the benefit of the MPP acquisition, this proportion rises to 43%. Whilst there are some existing on-premise clients planning to migrate to SaaS, a material movement is not anticipated in the short term given the investment in clients' infrastructure supporting our technology.

The accelerated adoption of cloud technologies impacts margin expectations in the short term given the cost profile of a number of the Group's products when deployed as SaaS. The launch of Fynapse, with its cloud-native capabilities, is expected to enable significantly higher margins on this service to be achieved.

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. The business continues to expand the 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 support its partners and provide its expertise to those clients who wish to receive our services directly.

Due to the Group's long implementation cycles, implementation services revenue reduced in the year due to the disruption to our key markets, particularly in 2020, related to the pandemic. Demand for implementation services is however expected to increase in 2022. A key reason for this increased demand is the continuing support of a number of the implementations for the Aptitude Insurance Calculation Engine as go-lives approach for this regulatory focused application in January 2023.

Solution Management Services

The Group's Solution Management Services ('SMS') continue to grow providing Aptitude Software with managed services revenue which is recurring in nature and typically contracted on multi-year agreements. SMS revenues are currently not included within the Group's Annual Recurring Revenue.

Chief Executive Officer's Report

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, 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. During 2021, a number of new successes and major renewals were achieved from across the client base.

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. The team providing these remote services to our clients is now of critical mass and able to provide efficiencies to our clients. Clients benefit from the reduced requirement to establish internal technical teams focused on our complex applications 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 term and recurring nature of the associated income is expected to provide greater certainty and visibility to the Group's services revenues.

Partner Network

The growth and development of Aptitude Software's high-quality partner network, which now includes mature relationships with the Big 4 accounting firms, continues to be a strategic priority. Whilst many prospects are sourced directly by the Group's own sales and marketing teams, the global reach of our partners and the depth of their relationships with large businesses provide Aptitude Software with an increasing number of advanced opportunities, enhanced market coverage and intelligence.

In addition to the new business benefits provided by the partner network, the implementation expertise and capabilities of our partners supports the Group's strategic drive to increase software fees faster than its services, leading to a richer revenue mix. During 2021, a number of new organisations have been enabled to implement Aptitude Software's products for the first time, providing our clients with an increasing choice of partners with whom to implement the Group's technology, whilst the acquisition of MPP Global has accelerated the generation of a number of new partner propositions which can be leveraged by the wider group.

We expect our partner network to be both deepened and widened through the launch of Fynapse. The solution is easier to implement and provides a platform for our partners to co-create assets leading to a differentiated offering for them against working with more generalist ERP providers.

Aptitude Innovation Centres

Investment continues in the team at the Group's principal, long-established, Innovation Centre in Poland which remains a material differentiator for the Group. In addition to software development, the centre is an increasing focal point for the Group's cloud operations, support activities and growing solution management services offering. Investment in the Innovation Centre is expected to be further increased in 2022 as Fynapse is brought to market despite the inflationary pressures being felt in the region.

As part of the acquisition of MPP Global, the Group now has a second long-term innovation centre for the Group in the North West of England, focused principally on the development and integration of the eSuite product. The Group is continuing with the planned investment in this high-quality operation to support the growth ambitions for eSuite.

Overall there were 198 individuals at the Innovation Centre in Poland at 31 December 2021 (31 December 2020: 162) with a further 45 employees focused on design, development, implementation and support based in the North West of England.

Our People

Aptitude Software's continued progress has been achieved through the exceptional quality of its people. The team is very talented, committed and works incredibly hard. The Board wishes to thank its employees for both their outstanding commitment and the continued excellent support they are providing to the business and to our clients and partners. The Board also wishes to welcome the MPP Global team to the Group and looks forward to seeing their careers advance within the business.

Overall Group headcount increased by 43% in the year to 476 (2020: 332), 17% excluding the acquisition of MPP Global, as the business continues to invest in the evolution of our technology and strengthen a number of other teams.

Aptitude Software continues to progress its approach to diversity and inclusion and has established an advocacy group with representation from across our global team. The business is committed to creating a working environment that recognises diversity, supporting everyone to thrive. Our Diversity and Inclusion Advocacy Group will be responsible for shaping and supporting our ambition and objectives in this important area.

To ensure the Group carries on attracting and retaining the most talented of individuals, the business has continued to build on the investments in our people. A particular highlight of this programme is the strengthening of the Group's training and enablement function and the roll out of a new learning management system to support our employees, clients and partners, initiatives which are also being integrated into the MPP Global business. The Group has also strengthened its strategy and innovations teams with senior executives joining from the big four consulting partnerships and the financial services sector.

With the recent return to a more normal working environment and following extensive consultation with its employees, the business continues to adopt a hybrid way of working. This combines the successfully implemented remote working framework in place during the pandemic with a level of office presence to ensure we foster both collaboration and social interactions, which are so important both for the sparking of innovations but also the mental well-being of our people.

Conflict in Ukraine

Whilst the Group has no clients, operations or employees located in either Ukraine or Russia, the Board is actively monitoring the developing situation and is mindful for the potential for escalation. The Group's largest innovation centre is in the western part of Poland. The Group is providing appropriate support to our Polish colleagues at this difficult time including the support of their charitable and volunteering endeavours in relation to the crisis. Furthermore, the Group is assessing contingency plans should there be an escalation of the situation.

Focus areas for 2022

The Group is focused on delivery against its three go-to-market pillars: finance digitization, subscription management and partner enablement, supported by our ongoing focus on people excellence and financial confidence. Within finance digitization we are launching alongside our charter client our new Fynapse offering and committing to increase investment in 2022 and 2023. Within subscription management, key activities will centre on the integration of our products to support cross sales into our extended customer base whilst building opportunities for the future in the adjacent industry sectors we have identified. Underpinning this, partner relationships will continue to deepen as we add further advisory and technology partners to support and market our solutions. Supplementing these pillars, we will continue to invest in our people, seeking to retain and grow our teams, with an ethos of diversity and inclusion.

We are confident the combination of all these activities will see, following the period of increased investment, an acceleration in both the growth of Annual Recurring Revenue and the Group's margins.

Jeremy Suddards
Chief Executive Officer

14 March 2022



Group Financial Performance and Chief Financial Officer's Report

Revenue

Software Revenues

Annual Recurring Revenue ('ARR') for the core Aptitude Software business (excluding MPP Global's contribution) grew by 10% on a constant currency basis in the year to £34.4 million at 31 December 2021 (31 December 2020: £31.4 million, 30 June 2021: £32.6 million, both restated for the prevailing exchange rates at 31 December 2021). Including the benefit of the MPP Global acquisition total ARR at 31 December 2021 was £41.8 million, overall growth of 33% in the year.

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. During the year there was an acceleration towards SaaS deployment with all new clients after February 2021 choosing this approach. As a result of this dynamic the proportion of clients deploying software using SaaS has continued to grow with SaaS subscription fees accounting for 31% of the total ARR at 31 December 2021 for the core Aptitude Software business (2020: 23%), 43% including the benefit of the MPP Global acquisition.

Highlighting both the strength of our client relationships and the quality of our product suite, net retention from the core Aptitude Software business in the year was 102% (2020: 102%) (measured by the total value of on-going ARR at the year-end from clients in place at the start of the year as a percentage of the opening ARR from those clients on a constant currency basis).

Software revenues recognised in 2021 increased by 21% to £36.9 million (2020: £30.5 million), organic growth of 15% excluding the benefit of the MPP Global acquisition. These now represent 62% of overall revenue (2020: 53%). 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 despite the growing SaaS element of software and the accompanying infrastructure and servicing costs.

Implementation and Solution Management Services

Services revenue totalled £22.4 million for the year ended 31 December 2021 (2020: £26.8 million) of which 86% (2020: 89%) is attributable to the implementation of our software with the balance of 14% (2020: 11%) generated from solution management services which, whilst not included in the Group's Annual Recurring Revenue, are typically recurring in nature. Due to the Group's long implementation cycles, implementation services revenue reduced in the year due to the disruption to our key markets, particularly in 2020, related to the pandemic. Included within the total services revenue for 2021 is £0.4 million relating to MPP Global for the period of the Group's ownership.

Research and Development Expenditure

Total expenditure on product management, research and development increased in the year ended 31 December 2021 to £10.6 million (2020: £8.5 million) as the Group continues to invest in order to realise the opportunities across its two growth drivers of finance digitization and subscription management. Growth in expenditure focused on Aptitude Software's products was 15%, excluding the £0.8 million investment by MPP Global in its eSuite product during the period of the Group's ownership.

Overall expenditure on product management, research and development is expected to increase significantly in 2022 by approximately 55%, growth of 35% after adjusting for the investment in MPP Global, which is principally driven by the strategic decision to accelerate investment in Fynapse to capitalize on the mid-term market opportunity. The Group is also continuing with the planned investment in eSuite to support the growth ambitions of the application.

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

Operating Profit and Margins

Adjusted Operating Profit on a statutory basis for the year ended 31 December 2021 was in line with management expectations at £9.9 million (2020: £9.1 million). Adjusted Operating Margin for the period increased marginally against 2020 levels to 17% (2020: 16%) despite the Group continuing to prioritise essential investment across a number of functions. Operating profit on a statutory basis was £6.5 million (2020: £8.1 million).

In the short term, the accelerated adoption of cloud technologies impacts margin expectations given the cost profile of a number of the Group's products when deployed as SaaS. The launch of Fynapse, with its cloud-native capabilities, is expected to enable higher margins on this service to be achieved.

In addition to the increased research and development activities in 2022 the Group, as with many technology businesses, is experiencing increased inflationary pressures within its cost base. Inflation is particularly strong in Poland at 9%, the location of the Group's principal Innovation Centre, however, inflation is elevated in all the Group's locations. Whilst pay rises are made within the business early in the year there is typically a delay of potentially over 12 months before increased costs can be passed to clients. Whilst client contracts allow for inflationary increases to be applied to fees, typically services' day rates cannot be increased during the initial implementation for a client. Furthermore, the timing of a client's invoice for their typically annually in advance software fee can also contribute to a delay in inflationary pressures being passed to clients.

Acquisition of MPP Global

In the final quarter of 2021, the Group acquired MPP Global for total consideration of £39.1 million, for which cash consideration and associated deal costs totalled £37.4 million. The acquisition has enhanced the Group's level of recurring revenue, driving growth in both ARR and software revenue, a strategic focus for the business whilst accelerating the Group's product strategy and supporting the continued global growth of the business. These strategic capabilities underpin the Group's recognition of £22.2 million of goodwill and a further £20.3 million of intangible assets on acquisition.

MPP Global generated £2.3 million of revenue with an operating loss of £0.3 million since completion of the acquisition by Aptitude.

Foreign Exchange

With 51% (2020: 52%) of the Group's revenues being generated from North American clients, the majority of which are invoiced in US Dollars, the financial results are impacted by changes in the US dollar exchange rate. Aptitude Software's 2020 revenue and Adjusted Operating Profit would have been reported at £56.0 million and £8.7 million respectively on a constant currency basis (compared to actual result of £57.3 million and £9.1 million). Constant currency is calculated by comparing the 2021 results with 2020 results retranslated at the rates of exchange prevailing during 2021.

Non-Underlying Items

Non-underlying items increased significantly from prior year levels to £3.4 million (2020: £1.0 million) principally due to the £2.0 million of deal costs incurred on the MPP Global acquisition. The remaining amount is in relation to intangible amortisation (£1.4 million), with the uplift of £0.6 million from 2020 levels resulting from the amortisation of intangible assets recognised on acquisition.

Taxation

The total tax charge before adjusting for the impact of non-underlying items and other sundry items of £1.6 million (2020: £1.6 million) represents 17.1% of the Group's profit before tax (2020: 18.1%), with the reduction against the United Kingdom corporate tax rate of 19% due to the Group's ability to receive additional tax relief on its research and development expenditure.

Statutory Results

The Group reported a profit for the year attributable to equity shareholders of £5.1 million (2020: £7.0 million).

Earnings per Share

Adjusted Basic Earnings per Share increased by 8% to 14.2 pence (2020: 13.2 pence). As a result of the significant non-underlying costs incurred, Basic Earnings per Share was 9.0 pence (2020: 12.5 pence).

Dividend

A final ordinary dividend of 3.60 pence per share is proposed (2020: 3.60 pence), making a total ordinary dividend of 5.40 pence per share for the year (2020: 5.40 pence).

Group Financial Performance and Chief Financial Officer's Report

Balance Sheet

The Group continues to have a strong balance sheet with net assets at 31 December 2021 of £57.2 million (2020: £50.6 million), including cash of £29.1 million (2020: £44.8 million) and net funds of £16.1 million (2020: £42.9 million) following the £37.4 million of cash consideration and associated deal costs incurred on the MPP Global acquisition. Trade receivables (net) have increased to £8.8 million (of which £7.6 million was in respect of the Aptitude core business) due to the timing of receipt of annual licence fee and subscription invoices issued in the final months of the year (2020: £5.9 million). The growth in the Group's recurring revenues resulted in deferred income increasing to £30.9 million at 31 December 2021 (2020: £25.7 million). The Group's cash collection disciplines remain strong with DSO (debtor days) at 31 December 2021 of 37 (2020: 40).

Philip Wood

Deputy Chief Executive Officer and Chief Financial Officer

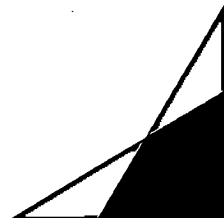
14 March 2022

Non-Financial Information Statement

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

	Related Group policies	Related principal risks	Page
Environmental matters	– Health, safety & environment	– Climate change – Safety	27
Employees	– Security – People	– Talent and capability – Safety	25
Social matters	– Charitable contributions & social sponsorships	– Political risk	15
Human rights	– People – Human rights		26
Anti-bribery and corruption	– Anti-bribery & corruption	– Compliance	31

- Non-financial key performance indicators allow us to assess progress against objectives and monitor the development and performance of specific areas of the business. These are set out on page 61.
- Further information on Group policies can be found on aptitudesoftware.com.
- Full details of the Group's principal risks can be found on pages 19 to 21.
- Disclosures based on the principles of Taskforce on Climate Related Financial Disclosures (TCFD) are detailed on page 28.



Engagement with the Group's Stakeholders

(Section 172 Statement)

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

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

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

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

Workforce engagement

The Board is fully committed to ensuring that the opinions of employees across all regions and business areas are regularly sought and factored into its decision-making process. The Group has put in place extensive measures to engage with its employees and these are described in full in the Directors' Report on page 25 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. A key initiative during the year has been the engagement of all employees on the subject of Diversity and Inclusion and the formulation of a two year strategic plan, as described on page 26.

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 in 2021 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 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 2021 the Group communicated directly with its major investors on its Executive remuneration arrangements 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 47.

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 2021 was held as a virtual conference and again saw excellent participation from clients across all regions.

During the year, the Board also engaged an independent third party firm to undertake a referencing exercise with a cross section of its clients, to deepen its understanding of client satisfaction levels and needs, including product functionality, service performance, the role of partner organisations and Aptitude Software's client engagement levels. The key findings of this exercise, which have been examined by both the Audit Committee and the Board, have been incorporated into practical actions to further improve the client experience of the Group's products and services in both the immediate future and the longer term and were also communicated to clients at AptConnect 2021.

Strategic partner engagement

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

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. By way of example, the Group selected a new data centre in Poland during the year and this decision was influenced by the environmental credentials and quality standards that were evidenced by the chosen supplier. Regular engagement takes place with key suppliers, monitoring their performance against contractual obligations and providing regular feedback in order to foster and support long-term relationships for the benefit of the Group. In the event that delivery standards do not meet the Group's expectations, proactive steps will be taken to communicate and address these directly with the supplier to ensure that there is no detrimental impact upon the Group's activities.

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 supports or organises regular activities to increase awareness and raise funds for its chosen charities both in the United Kingdom and internationally. The Group's charitable activities are co-ordinated by its regional social committees and employees are actively encouraged to partake in them at a regional level. 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. During 2021, charities supported by the Group included the Children's Heart Foundation.

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

The environment

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

The Board is committed to providing stakeholders with an increasing amount of transparency on its environmental credentials and reports on both its scope 1 and scope 2 carbon emissions. The Group is pleased to report that it has again seen a significant year on year reduction in its carbon emissions this year alongside a number of proactive measures that incrementally reduce its energy consumption. Details of these and the Group's emissions reporting can be found in the Directors' Report on pages 29 to 30. The Group also reports on its compliance with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"), which can be found on page 28.

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

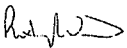
This awareness underpins the formulation of the Group's strategy and is evident throughout the Board's decision making process.

Ensuring that members of the Company are treated fairly

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

Philip Wood, as a Director of the Group, 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

14 March 2022

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 2021.

Results and Dividends

The results for the year are set out in the financial statements and notes that appear on pages 82 to 137. 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 (2020 total: 5.4 pence). Subject to shareholder approval, the proposed final dividend will be paid on 3 June 2022 to shareholders on the register at close of business on 13 May 2022.

The ordinary dividends paid in 2021 totalled £3.1 million (2020: £3.0 million).

Principal Activities

Aptitude Software Group plc is a specialist provider of finance digitization and subscription management software. The Company and its subsidiaries together are referred to in this Annual Report as “the Group”. The Group’s products and services are detailed within the Chief Executive Officer’s Report. On 9 October 2021, the Group acquired MPP Global Solutions Limited, an international provider of cloud-based subscription management and billing technology (“eSuite”) for aggregate consideration of £39.1 million. See pages 4 and 134 for details of this acquisition.

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.

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 22 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 pages 40 to 41. The principal business risks for the Group, as structured on 14 March 2022, are set out in the table on pages 19 to 21. 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 19 to 21, which include the COVID-19 pandemic (“pandemic”) and the impact of future inflationary increases upon the Group. As explained on pages 29 to 30, 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.

Statement of Directors’ responsibilities

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

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

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

Report of the Directors

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Directors' statement pursuant to the Disclosure and Transparency Rules

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

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

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

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

Directors' confirmations

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

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

- the Company financial statements, which have been prepared in accordance with UK adopted international accounting standards and company law, 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 UK adopted international accounting standards and company law, 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.

Board and Committee roles and responsibilities

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

Table detailing Principal Risks and Uncertainties

Principal Risks and Uncertainties	Explanation	Mitigating Action
If the Group does not successfully expand or enhance its product offerings or respond effectively to technological change, the business may be negatively affected.	The Group's future performance will depend on the successful development, introduction and market acceptance of new and enhanced products that address client requirements in a cost-effective manner. If the Group does not expand or enhance its product offerings or respond effectively to technological change, its business may be negatively affected. Additionally, there is a risk that the Group's technology approach will not achieve broad market acceptance or that other technologies or solutions will supplant the Group's approach. Some of the Group's markets are characterised by rapid technology change, frequent introduction of new products, changes in client requirements and evolving industry standards. The launch of Fynapse, Aptitude Software's next generation strategic digital finance platform, is central to the Group's product strategy. Should Fynapse take longer than anticipated to get to market, or should its adoption not be as successful as expected, this will impact the Group's future growth and success.	The Group has well-developed product roadmaps for its key software products. The development of the product roadmaps is a result of close liaison with prospects, clients, partners and other organisations. In addition, there is proactive monitoring of forthcoming regulations to identify required changes to existing products and opportunities for the development of new products. Prior to the development and launch of Fynapse, extensive market research and client consultation has been conducted, to satisfy the Board that there is sufficient demand in the existing client base and the market generally for the product.
The Group's reputation as a quality professional service provider may be adversely affected by any failure to optimise its deployed products or meet its contractual obligations, client expectations or agreed service levels.	The Group's ability to attract new clients or retain existing clients is largely dependent on its ability to provide reliable high-quality products and services to them and to maintain a good reputation. Because many of the engagements of the Group involve projects that are critical to the business operations and information systems of clients, the failure or inability of the Group to meet a client's expectations could have an adverse effect on the client's operations and could result in damage to the reputation of the Group. Certain contracts may provide for a reduction in fees payable by the client if service levels fall below certain specified thresholds, thus potentially reducing or eliminating the profit margin on any particular contract. If the Group fails to meet its contractual obligations or perform to client expectations, it could be subject to legal liability or damage to its reputation and the client may ultimately be entitled to terminate the contract.	The Group employs highly skilled personnel and has business processes in place to endeavour to ensure that any lapse is quickly identified and addressed. In addition, significant issues 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.

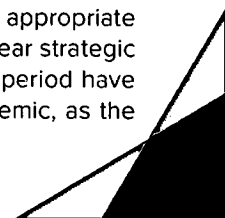
Report of the Directors

Principal Risks and Uncertainties	Explanation	Mitigating Action
There is substantial competition in the Group's markets which could adversely affect the Group.	<p>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.</p> <p>The Group's ability to compete is dependent upon many factors within and beyond the Group's control, including:</p> <ul style="list-style-type: none"> (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. 	<p>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.</p>
The Group's software products may contain undetected errors producing incorrect results or otherwise fail to process data at sufficient speed.	<p>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.</p>	<p>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.</p>
If the Group loses its key personnel or cannot recruit additional personnel, the Group's business may suffer.	<p>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.</p>	<p>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.</p>
Potential future acquisitions by the Group may have unexpected material adverse consequences.	<p>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.</p>	<p>Acquisitions are carefully assessed by the Board in respect of their alignment with the Group's acquisition strategy. The Group benefits from significant acquisition experience following the completion of seven acquisitions since 2014 and seeks to perform thorough due diligence, supported by the appropriate use of external advisers, to help identify any unexpected material adverse consequences. During the year, the Group acquired MPP Global Solutions Limited. Details of this acquisition can be found on pages 4 and 134.</p>

Principal Risks and Uncertainties	Explanation	Mitigating Action
The Group's activities may result in the loss or disclosure of client data.	The Group is implementing its products and services for a number of clients where the Group's employees potentially have access to sensitive client data and sensitive data of clients' own clients. There is a risk that there could be unauthorised access to, or disclosure or loss of, such data, whether inadvertently or maliciously. In such circumstances the Group is likely to be subject to legal liability and/or material damage to its reputation and the client may ultimately be entitled to terminate the contract. There is a risk that implementation revenues are impacted and project milestones delayed.	Employees are trained in the importance of data security with background checks performed at recruitment and for certain other roles at regular intervals.
The UK's 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. Impact to date has been minimal. 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.	A more normal business environment returned in the second half of 2021, but any continuing restrictions 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 page 23 for further details of how the Board has assessed the potential impact of the pandemic on the Group.
Future inflationary increases could affect the Group's margins.	Any significant inflationary increases would quickly impact the Group's cost base, with a delay of potentially over 12 months before increased costs can be passed to clients. Services' day rates typically cannot be increased during the initial implementation for a client.	The inflationary environment is being closely monitored, and commercial modelling undertaken to assess the impact of inflationary increases. The Group is able to reduce the exposure in its client contracts with the vast majority allowing for inflationary increases to be applied to fees.
The risk that the invasion of Ukraine by Russia will have an adverse impact on the Group's activities and operations.	During February 2022, Russia launched an illegal invasion in Ukraine. The humanitarian and economic consequences are already significant for both Ukraine and Russia. The potential impact for other countries in mainland Europe is as yet unknown.	The Group does not have any operations, employees or clients in either Ukraine or Russia. At present there is no direct impact upon the Group. The Group does have an operational presence in mainland Europe and therefore the situation is being closely monitored and business contingency plans have been formulated. These plans will continue to be evolved in response to the developing situation.

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 88 for the Group's assessment on going concern to 31 December 2023, which has been defined as the going concern assessment period. The Board determined that it would be reasonable to perform a review of the Group's cash flows and other key financial indicators of three years and considered this appropriate given the period aligns the Group's viability statement with its planning time horizon in respect of its three-year strategic plan and is suitable given the nature and investment cycle of a technology business. Cash flows over this period have a relatively high degree of predictability, even considering any potential longstanding impact of the pandemic, as the



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business continues to grow its software revenues. Projections beyond this period become less reliable given the inherent uncertainty of technology and market developments, supplemented by the uncertainties surrounding the 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. 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. Although the Group is operating in a net current liability position at the balance sheet date the Group retains significant cash balances benefitting from its annual licence fee or subscription model in which the overwhelming majority of its customers pay annually in advance.

Scenario models are reviewed by the Board and the Audit Committee and are a foundation for the Group's strategic plan. The financial forecasts contained in the plan make certain assumptions about the uptake of new annual licences and subscriptions and the performance of other core revenue streams. As part of the assessment the Group stress tests the plan using various 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, totalling £87.3m at 31 December 2021, would require being supplemented by £14.2 million of revenue realised from either new business opportunities or generated from the base across the three year period which is well below planned levels. Across each of the scenarios tested, the Group have also not factored in any structural changes to its cost base being made to ensure it remains viable. It was therefore determined that none of the individual risks would in isolation compromise the Group's viability, and so several different severe scenarios were considered where the principal risks arose in combination.

The scenarios considered to be the most significant in performing the assessment of viability and the combination of principal risks involved are detailed on the following page all of which are considered extremely remote, in addition the Group sets out separate assessments of why the Group believe the impact of the pandemic, the United Kingdom's withdrawal from the European Union, and increasing inflation rates 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 seven acquisitions since 2014, including the acquisition of MPP Global Solutions Limited on 9 October 2021 (see pages 4 and 134 for details) which is currently performing in line with expectations. Any future opportunities are required to meet the Group's strict criteria of comprising complementary technologies focused on Aptitude Software's product suite. Furthermore appropriate due diligence on any potential acquisitions is performed with findings presented to the Board.
- The Group has substantial levels of future contracted revenue visibility and retains significant cash balances benefitting from its long-term annual licence and subscription model in which the overwhelming majority of its clients pay annually in advance.
- The business currently operates with a moderate level of debt financing in place. The Group's existing facility allows for additional financing to be drawn on which would assist in covering short term cash flows if necessary.
- Cash conservation measures could include a review of the Group's dividend policy along with the flexibility to implement a number of cost reduction measures.

COVID-19 pandemic

The Group saw a reduced level of impact from the pandemic in 2021, with a number of markets disrupted in 2020 returning to previous levels of capital investment. This is highlighted by the business continuing to enjoy a good number of new business wins and contract expansions across the year, with Annual Recurring Revenue growing organically by 10%.

In the medium term, the Group does not expect the pandemic to materially impact sales opportunities. The Group's investment programme is focused on the launch of Fynapse to address the increasing demand for finance digitization. The pandemic is expected to accelerate the stimulus for organisations to undertake this finance automation to further transform their finance functions, thereby reducing manual processes and improving the quality and regularity of their financial analysis and planning. Furthermore, the acquisition of MPP Global Solutions in 2021, and the planned integration of eSuite with Aptitude Software's Revenue Management product, will enable the Group to provide an end-to-end solution to serve the fast-growing subscription economy. Demand for subscription-based models has also been stimulated by the pandemic, in light of the resilience seen in such models throughout this time.

United Kingdom's withdrawal from the European Union

On 31 January 2020 the United Kingdom left the European Union ("EU"). The transitional period was completed on 31 December 2020 and new rules on trade, travel, and business for the United Kingdom and EU continue took effect on 1 January 2021. During the year, the impact upon the business was very limited, however, the potential longer term economic consequences will continue to be closely monitored throughout 2022.

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 largest Innovation Centre, where product development and a number of other activities are undertaken, is located in Poland. While travel continued to be limited during 2021 due to ongoing pandemic restrictions, prior to this, certain employees travelled frequently between the United Kingdom, Poland and other EU countries.

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 continue to provide 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 2021 was £9.5 million (2020: £8.6 million).

Developments in Ukraine

The Group is continuing to closely monitor the situation in Ukraine. The business has no facilities or dependencies in the country, but in view of its mainland Europe operations, business contingency planning is being undertaken.

Future inflation increases

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

Climate-related risk

The Group's exposure to climate-related risk is considered to be low and climate change is therefore not included as a significant risk in the context of the Group's operations. Details of how the Board has made this assessment and the Group's compliance with the recommendations of the Task force for Climate-related Financial Disclosures can be found on page 28.

Other risks

Whilst other risks were considered in respect of a new market disruptor, the collapse of new business activity and defaulting on the loan facility these were not considered as severe as the scenarios outlined above given the level of

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future contracted revenue visibility and cash generated 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 across the three year period that would be required in order for the Group to either breach its external loan covenants or exhaust all available cash. Based on this testing it was determined that the current level of future contracted revenue, totalling £87.3m at 31 December 2021, would require being supplemented by £14.2 million of revenue realised from either new business opportunities or generated from the base across the three year period which is well below planned levels. Across each of the scenarios tested, the Group have also not factored in any structural changes to its cost base being made to ensure it remains viable.

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

Application of the 2018 UK Corporate Governance Code

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

Further activities that strengthened the Board's engagement with the wider workforce, as described on pages 25 to 26;

- Refresh of the Group's mission and purpose in order to strengthen corporate culture and employee engagement, as described on page 25;
- formulation and implementation of a strategic plan to increase awareness and improve diversity and inclusion within the Group, as described in detail on page 26;
- a bespoke internally-led annual Board Effectiveness Review process focused on the effectiveness of collective decision making capabilities of the Board, as described on page 38;
- proactive engagement with major investors on the Group's 2021 approach to Executive Director remuneration, as described on page 47;
- the appointment of an additional independent Non-Executive Director and the formulation of a structured plan for the transition of the chairmanship of the Audit and Remuneration Committees, as described on page 36; and
- proactive consultation with investors in relation to votes cast at the 2021 Annual General Meeting, as described on page 37.

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 36 to 44.

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, reflecting 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. In addition to this, Jeremy Suddards, Chief Executive Officer, is the Executive sponsor for the Group's Diversity and Inclusion initiative, as detailed on page 26.

Engagement with supplier and customers

The Group proactively engages with its suppliers, clients and other business relationships on a regular basis, to ensure that relationships function effectively and support the long-term success of the Group. Details of how the Group undertakes this engagement can be found in the Section 172 statement on pages 14 to 16.

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 have been refreshed during the year, 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. The behaviours and values which underpin the culture of the organisation are embedded in personal objectives at all levels and feature in the Group's employee recognition process.

Engagement with the workforce

During the year, Peter Whiting and Barbara Moorhouse were the designated Non-Executive Directors who were jointly responsible for ensuring that effective engagement occurs with the wider workforce.

During 2021 the Group continued to expand its range of employee engagement activities ensuring that the views and opinions of employees are heard and that its corporate values are upheld. Particular consideration this year was given to engaging employees in the Group's journey to better understand and promote Diversity and Inclusion across the Group, as detailed on page 26. During the year ended 31 December 2021 these activities included:

- regular attendances by members of senior management at Board meetings to present on their respective areas of expertise including sales, product and technology, professional services and people and culture;
- ongoing programme of employee engagement surveys and requests for feedback, the results of which are reviewed quarterly by the Board and on an ongoing basis by senior management;
- regular all employee calls and financial updates with all regions, with frequent Non-Executive Director attendance and contribution. 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;
- individual feedback on the effectiveness of the Group's internal audit activities was sought from members of senior management by the Chair of the Audit Committee;
- the continued delivery of professional development programmes during the year, some of which included direct involvement from the Non-Executive Directors; and
- a structured integration plan to ensure that employees of MPP Global Solutions Limited, which became part of the Group on 9 October 2021, are integrated into the Group smoothly, including regular engagement with the Board and senior management.

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

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

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and continues to be very encouraged by the high levels of participation amongst employees across the Group. Following the October 2021 invitation, 65% of the Group's employees were part of its share save schemes.

Approach to Diversity and Inclusion

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 these candidates. 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.

Diversity and Inclusion Strategy

During the year, the Group is proud to have taken proactive and tangible steps to better understand and support Diversity and Inclusion within its workforce. The primary objective is to become a more diverse organisation recognised both internally and externally for its inclusive culture.

The Group has engaged an organisational development consultant with specialism in diversity and inclusion to work with senior management to identify improvement opportunities. As an initial step in 2020, the Group established a Diversity and Inclusion employee advocacy group, comprised of employees with a diverse range of backgrounds and skills, and representing all regions.

During 2021 a series of data gathering initiatives were completed, including one-to-one interviews with employees from across the Group, a review of the Group's policies and procedures, the creation of a vision board to capture feedback from employees and an externally facilitated anonymous all-employee survey which achieved response rates in excess of 50% in each region.

The findings of this review have been reviewed by the Board and shared transparently with all employees via All-Hands calls. Key priority areas for action have been identified by employees to increase the diversity and inclusion of the Group and support a Diversity and Inclusion strategic plan over a 2-year time horizon.

Jeremy Suddards, Chief Executive Officer, has taken on executive sponsorship responsibility for the strategic plan and a Diversity and Inclusion Steering Committee is being established to drive this forward. Objectives that directly support the Group's diversity and inclusion plan will also form part of the 2022 objectives for all senior management team members.

Key elements of the plan include:

- increasing opportunities for employees to connect across different regions and contribute to Group wide initiatives;
- improving transparency and measurement of diversity and inclusion within recruitment, promotion and pay;
- increasing responsibility and accountability for diversity and inclusion across the entire workforce and supporting this training;
- refreshing policies and practices to remove any unconscious bias from these and embedding the Group's diversity and inclusion vision in its values and behaviours; and
- encouraging the creation of employee forums and groups that will support the exchange of views, learning and collaboration.

The Group is committed to driving positive change through this 2-year strategic plan, for the benefit of its employees and other stakeholders and ultimately to support growth and success of the business.

Gender diversity

The following table reports on the gender diversity of the Group's employees on 31 December 2021:

	Board Diversity		Top Leadership Diversity		Total Workforce Diversity*	
	2021	2020	2021	2020	2021	2020
Men	4	4	8	7	286	242
Women	2	1	4	3	101	90
Total employees	6	5	12	10	387	332
Men %	67%	80%	67%	70%	74%	73%
Women %	33%	20%	33%	30%	26%	27%

* For comparative purposes, the 2021 total workforce figures exclude employees of MPP Global Solutions, which joined the Group on 9 October 2021. If these employees are included, the percentages of women and men in the Group remain unchanged.

As of 31 December 2021, the Board comprised four male Directors (67%) and two female Directors (33%). Peter Whiting will not be seeking re-election at the Annual General Meeting to be held on 28 April 2022 and following this, the Board will be comprised of three male Directors (60%) and two female Directors (40%). The Group's top leadership consisted of eight men (67%) and four women (33%). Top leadership is defined as those responsible for the planning, directing and controlling the activities of the Group.

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. The Board is nevertheless pleased to be able to demonstrate positive progress in this area over the past 12 months. Every effort is, and will continue to be, made to attract a gender diverse pool of candidates for any senior appointments in order to support and encourage female representation in the Group's leadership team in future years.

Regrettably, the percentage of women in the wider workforce has not increased from the previous year, despite continued efforts to improve this. The pool of qualified candidates is small and does not currently contain an equal gender weighting. The Group recognises however, that proactive steps are required to gradually improve female representation over time and to ensure that female employees are fully supported in their personal and professional development paths and encouraged to flourish and grow within the organisation. Supporting and encouraging gender diversity is an important element of the Group's current Diversity and Inclusion strategy, as described on page 26, and this will remain a focus in the coming year.

Broader diversity data

At present the Group does not hold comprehensive data on the diversity of its workforce (beyond that of gender) and it is, therefore, unable to disclose any broader diversity statistics, such as those relating to the ethnicity or race of its employees. As part of its Diversity and Inclusion strategy, the Group is working closely with its employees to balance its desire to gain a deeper insight into the diversity of its workforce, and promote an open culture of inclusion, with the need to respect the rights of employees to privacy. It is the Group's desire that over time it will be able to build a comprehensive picture of the diversity of its workforce through ongoing engagement with employees on its Diversity and Inclusion strategy and by continuing to build mutual levels of trust.

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;

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

While not within the Group's immediate control, the Group also takes into consideration the environmental credentials of data centres and providers of Cloud services when selecting these key suppliers. Further information can be found on page 29.

Task Force on Climate-related Financial Disclosures ("TCFD")

The Group has considered the recommendations of the TCFD and provides the following information on its approach to assessing and disclosing climate-related risks and opportunities in accordance with Listing Rule 9.8.6(8)R.

The Board as a whole has responsibility for assessing the Group's exposure to climate-related matters, albeit that Philip Wood is the designated Director with responsibility for ensuring that the Board fulfils its Environmental, Social and Governance obligations as a whole, including climate-related matters.

The Board acknowledges that all organisations have an obligation to understand and minimise the impact of their activities in relation to climate-related matters. However, the climate-related risks that directly impact the Group are limited and not material in the context of its direct operations. The Group has nevertheless considered these and has also identified a number of opportunities to further reduce its impact on climate change.

Assessment of climate-related risks and opportunities:

The Board's assessment of the significant risks impacting the Group (as described on pages 19 to 21) included consideration of risks associated with climate change. The Group does not manufacture any physical products and its premises are limited to leasehold office spaces in its key regions. Its exposure to climate-related risks is therefore considered to be low and these are not classified as a significant risk. This is reflected in the Scope 1 and Scope 2 reporting on greenhouse gas emissions (see page 30) and is inherent to the activities and strategy of the Group, as described on page 15. In view of the Group's low exposure to these risks, the Board's assessment of climate related risks is provided on a qualitative basis, rather than through quantitative scenario testing.

The Group has not identified any short-term climate-related risks that are likely to have a direct impact upon its operations.

The medium to long-term climate-related risks that the Group is potentially exposed to are the global / macro risks that impact society and organisations in general, these are as follows:

1) Physical changes to the environment, such as extreme weather conditions or increased flooding in climate sensitive regions

The Group's exposure to physical changes of climate change is mitigated by the fact that the delivery of its products and services are not dependent on any single region, and the Group's proven ability to implement and deliver these to its clients by remote means. Should physical changes to the environment disrupt or prevent the Group from operating in any particular region in the future, the Group's services could continue to be provided either remotely or from alternative locations. While the macro impact of physical changes to the environment are potentially severe for all businesses, the nature of the Group's operations provides it with a degree of resilience to this risk.

2) Transitional changes such as future changes to government policies, taxes or constraints aimed at reducing emissions and energy usage by corporations

The impact of any transitional changes upon the Group and its operations are considered to be low compared to those businesses that have dependences on manufacturing, distribution or fossil fuels. The Group is already proactive in putting in place mitigating actions to further reduce its environmental impact, such as avoiding unnecessary business travel and selecting energy efficient office premises. These initiatives are seen as positive opportunities by the Group to reduce its environmental impact and contribution to climate change. Further details of these mitigating initiatives can be found on page 29.

In view of the low exposure to climate-related matters that the Group has and the limited factors that it is able to control, the Group has not set itself quantitative targets to further reduce its emissions. Nevertheless, the Group is proud of the steps it has taken over the last year to further improve its environmental credentials and is fully committed to utilising the climate-related opportunities it has identified to support further reductions in its emission levels in 2022 and beyond.

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 are also aware of its reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. As such, this year the Group has continued to publish its energy and carbon reporting to meet these requirements and increase the transparency with which it communicates about its environmental impact to its stakeholders.

2021 Performance

The Group calculates its environmental impact across scope 1 (direct emissions) and 2 (indirect emissions) emissions sources. Emissions are presented on both a location and market basis. On a location basis its emissions are 285 tCO₂e, which is an average impact of 4.8 per £1,000,000 turnover, a 24% reduction year-on-year. On a market basis its emissions are 339 tCO₂e. The Group calculated emission intensity metrics on a revenue basis, which it will monitor to track performance in its subsequent environmental disclosures.

This year there has been a considerable reduction in scope 1 (13%) and scope 2 (21%) office related activities. This can be attributed to a reduction in energy-related consumption due to a full year of COVID-19 restrictions in 2021, compared to 2020. A high number of staff remained working remotely, resulting in low energy use on site.

Energy and Carbon Action

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

- **the selection and refit of a new London office:** environmental efficiency was a key feature in both the site selection and refit process (see below for details);
- **the adoption and communication of 'hybrid' working practices across the Group:** enabling employees to combine remote working with office-based working on an ongoing basis (regardless of COVID-19 restrictions) thereby removing any unnecessary travel to and from offices;
- **the successful implementation of an increasing number of client projects on a remote basis:** resulting in an ongoing reduction of international travel by employees;
- **the selection of an accredited data centre in Poland:** electricity has been purchased from renewable energy sources and the site has an Environmental Management System that is compliant with the ISO 14001, reflecting a commitment to reducing its environmental impact; and
- **a key provider of the Group's Cloud infrastructure is committed to powering its operations with 100% renewable energy by 2025:** Data centres used by the Group in Oregon and Frankfurt are confirmed as being carbon neutral.

The selection process for the new London office (located at 138 Cheapside) was undertaken in the first half of 2021 and the office refit completed during December 2021. The Energy Efficiency rating of this office is C, representing a significant improvement on the previous London office space (Energy Efficiency Rating of E). The Group is also delighted to confirm that the refit of the office received a Gold SKA fit-out sustainability rating. Practical considerations within the refit of the London office included technological solutions to support the collaboration of those working remotely and on-site, minimising paper usage and the re-purpose of existing office furniture from the previous office where possible.

Over the next 12 months, the selection of any new or replacement office spaces in the Group's other regions will be approached similarly, with environmental considerations being given high precedence in the decision-making process.

2021 Results

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

- World Resources Institute (WRI) GHG Protocol (revised version);
- DEFRA's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019); and

Report of the Directors

- Global office emissions have been calculated using the DEFRA 2021 and IEA 2021 issue of the conversion factor 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 2021 to December 2021 and using the reporting period of January 2020 to December 2020 for comparison as well as including the GHG emissions from 2016-2019 as a point of reference.

Emissions and Energy Usage

Table 1 – Energy and carbon disclosures for reporting year^{1 4}

	Emissions Source	Global Emissions tCO ₂ e						Percentage Change to 2020 (%)
		2016	2017	2018	2019	2020	2021	
Scope 1 ²	Natural gas	115	60	55	53	33	31	(6)
	Company cars	1	2	1	2	2	2	–
	Refrigerant	2	5	4	21	3	–	(100)
Total Scope 1		118	67	60	76	38	33	(13)
Scope 2	Electricity	597	445	418	444	321	252	(21)
Total Scope 2		597	445	418	444	321	252	(21)
Total (Market Based)					644	404	339	(16)
Total (Location Based)		715	512	477	520	359	285	(21)
Total Energy Usage (kWh) ³							676,626	N/A
Normaliser	tCO ₂ e per Revenue			6.7	7.7	6.3	4.8	(24)

Table 2 – 2021 and 2020 energy and carbon disclosure comparison¹

	Emissions Source	Emissions (tCO ₂ e)				Total Percentage Change to 2020 (%)
		FY 2020		FY 2021		
		UK	Global (Excluding UK)	UK	Global (Excluding UK)	
Scope 1 ²	Natural gas	-	33	-	31	(6)
	Company cars	-	2	-	2	-
	Refrigerant	3	-	-	-	(100)
Total Scope 1		3	35	-	33	(13)
Scope 2	Electricity	17	304	30	222	(21)
Total Scope 2		17	304	30	222	(21)
Total (Market Based)		29	375	44	295	(16)
Total (Location Based)		20	339	30	255	(21)
Total Energy Usage (kWh) ³				139,846	536,780	N/A

1 This work is partially based on the country-specific CO₂ emission factors developed by the International Energy Agency, © OECD/IEA 2021 but the resulting work has been prepared by Aptitude Software and does not necessarily reflect the views of the International Energy Agency.

2 During 2021 the Group had one company car in use. As at the date of this report there are no company cars in use. No refrigerants were consumed in 2021 (this having been at the discretion of the landlord of the Group's leased offices during 2021).

3 Energy reporting includes kWh from scope 1 and scope 2, converting units of measure into kWh by use of DEFRA 2021 issue of the conversion factor repository (as required by the SECR regulation).

4 Rounding discrepancies identified in the production of the 2021 SECR report has led to an update of the reported figures in 2016, 2017, 2018 and 2019.

Conflicts of Interest and Whistle-blowing Policy

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

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

The Group has a written whistle-blowing policy which is clearly set out in the employee handbook. The policy enables workers (including employees and other individuals performing functions for Aptitude Software, such as agency workers and contractors) to voice any concerns in a responsible and effective manner. The policy states that if a worker discovers information which they believe shows serious malpractice or wrongdoing within the organisation then this information should be disclosed internally without fear of reprisal. A dedicated email address is provided for any whistle-blowing concerns to be raised, which will be sent to an independent non-executive Board member. The policy clearly states that all matters will be treated with the strictest confidence and the worker's identity would not be disclosed without his/her prior consent, as well as the procedure by which any concerns will be investigated.

Political Donations

The Group made no political donations in the year (2020: £nil).

Substantial Shareholdings

In accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority. As at 31 December 2021, the Company had been advised of the following notifiable interests in its voting rights:

	Number of Shares	% Issued Share Capital ¹
Canaccord Genuity Group Inc.	6,802,632	11.9%
Schroders plc	6,778,750	11.9%
Mrs C Barbour, Mr B Barbour & Bank of New York Mellon (Pooled)	4,409,689	7.7%
Jupiter Fund Management plc	3,951,031	6.9%
Invesco Limited	3,104,058	5.4%
Herald Investment Management	1,963,889	3.4%

¹ Calculated by reference to the number of shares in issue at 31 December 2021, being 57,199,418.

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 14 March 2022 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.

Report of the Directors

Deadlines for Voting Rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 28 April 2022 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 showing the right of the transfer or to make the transfer (and, if the instrument of transfer is executed by some other person on his or her behalf, the authority of that person so to do). In the case of a transfer of shares in certificated form a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange the lodgement of share certificates will only be necessary if and to the extent that certificates have been issued in respect of the shares in question. The Directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four transferees. Subject to the Articles and the CREST Rules (as defined in the Uncertificated Securities Regulations, as amended), and apart from any class of wholly dematerialised security, the Board may permit any class of shares in the Company to be held in uncertificated form and, subject to the Articles, title to uncertificated shares to be transferred by means of a relevant system.

Change of Control

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

Amendment to the Articles

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

Appointment and Replacement of Directors

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

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

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

The office of Director shall be vacated if:

- (i) he or she in writing resigns or offers to resign and the Directors accept such offer;
- (ii) an order is made by any court claiming that he or she is or may be suffering from a mental disorder;
- (iii) he or she is absent without permission of the Board from meetings for six months and the Board resolves that his or her office is vacated;
- (iv) he or she becomes bankrupt or compounds with his or her creditors generally;
- (v) he or she is prohibited by law from being a Director;
- (vi) he or she is removed from office pursuant to the Articles; or
- (vii) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that the Director has become physically or mentally incapable of acting as a Director and may remain so for more than three (3) months.

Repurchase of Own Shares

At the Annual General Meeting held on 27 April 2021 members renewed the authority under section 701 of the Companies Act 2006 to make market purchases on the London Stock Exchange of up to 5,643,701 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 28 April 2022.

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 137.

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
Sara Dickinson (appointed 1 October 2021)

Report of the Directors

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 2021 and continue in force, in relation to certain losses and liabilities which the Directors (or Company Secretary) may incur to third parties in the course of acting as Directors (or Company Secretary).

Treasury and Foreign Exchange

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

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

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

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

See page 99 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. 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 14 to 16 and includes details of how the Directors have had regard for the need to foster good business relationships with customers, suppliers and others.

Auditors and Disclosure of Information to Auditor

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

RSM UK Audit LLP were appointed as auditors on 17 September 2021. A resolution regarding their appointment will be proposed at the 2022 Annual General Meeting.

Corporate Governance

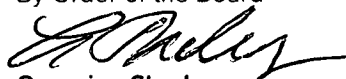
The Group's statement on corporate governance is included in the Corporate Governance Statement on pages 36 to 44 and incorporated into this Report of the Directors by reference.

Annual General Meeting

The forthcoming Annual General Meeting will be held at 9.00 am on Thursday, 28 April 2022 at the offices of Aptitude Software Group plc, 8th Floor, 138 Cheapside, London EC2V 6BJ. The Notice of the Annual General Meeting contains the full text of resolutions to be proposed.

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

By Order of the Board



Georgina Sharley
Company Secretary

14 March 2022



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 2021. A full statement of compliance with the principles of the Code is on pages 43 and 44.

Board of Directors

Function and operation of the Board

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

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

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

Changes to the Non-Executive Directors and Committee structures

On 1 October 2021 Sara Dickinson was appointed as a Non-Executive Director and future Chair of the Audit Committee.

Peter Whiting, Non-Executive Director, Senior Independent Director and Chair of the Remuneration Committee as at the date of this report, will not be seeking re-election at the 2022 Annual General Meeting, having served as a Non-Executive Director since 2 February 2012. The Board thanks him for the significant contribution that he has made to the Group throughout this time.

Following the publication of this Annual Report, Peter will resign from his responsibilities of Chair of the Remuneration Committee and Senior Independent Director. At the same time, Barbara Moorhouse, Non-Executive Director and current Chair of the Audit Committee, will assume the responsibilities of Chair of the Remuneration Committee and Senior Independent Director, and Sara Dickinson will step into the role of Chair of the Audit Committee. These developments were agreed by the Board during September 2021 to ensure a smooth and structured transition.

Independence and re-election of Directors

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

Throughout the year, and as at the date of this report, Peter Whiting is the Senior Independent Non-Executive Director. The Senior Independent Director provides shareholders with someone to whom they can turn if ever they have concerns which they cannot address through the normal channels, for example with the Chairman or Executive Directors. They are also available as an intermediary between other Directors and the Chairman. Whilst there were no requests from Directors or shareholders for access to the Senior Independent Director during the year, the role serves as an important check and balance in the Company's governance process. As explained above, Barbara Moorhouse will step into the role of Senior Independent Director following the publication of this report.

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. The Non-Executive Directors hold periodic discussions without the Executive

Directors present, in order to provide a forum in which the performance and actions of the executive team and the wider business can be discussed freely.

At the Group's Annual General Meeting held on 27 April 2021, 29% of the votes cast on Resolution 6, relating to the re-election of Peter Whiting, were voted against. While Peter was re-elected by a clear majority of shareholders, in accordance with the recommendations of the UK Corporate Governance Code, the Board consulted with the major shareholders who voted against this resolution, to understand the reasons behind their voting decisions. The views shared by those investors that responded to the Group's invitation to engage on this subject highlighted two key areas that had influenced their voting decisions:

- the number of other non-executive directorships and committee chair roles held; and
- the impact of his tenure of over 9 years upon the ability to remain independent.

Prior to the 2021 Annual General Meeting, the Board gave careful consideration to each of these matters and provided disclosures on these in the 2020 Annual Report, with reference to the recommendations of the 2018 UK Corporate Governance Code and the Board's understanding of generally accepted good practice. However, as a direct result of the investor consultation process, the Board now recognises that certain investors have different expectations in these areas, and it will take these into consideration in its governance framework and disclosures going forward. As explained above, Peter Whiting has taken the decision not to seek re-election at the 2022 Annual General Meeting and will hand over his responsibilities as Chair of the Remuneration Committee and Senior Independent Director to Barbara Moorhouse.

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, Barbara Moorhouse and, from 1 October 2021, Sara Dickinson.

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

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

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

During the year the Committee:

- carried out a review of the skills of each of the Directors and the independence of each of the independent Non-Executive Directors prior to the 2021 Annual General Meeting and recommended Directors for election or re-election at the 2021 Annual General Meeting;
- undertook a full review of succession plans for the Executive Directors and senior management, considering both short term emergency and long-term planning scenarios, and executive talent management and development;
- oversaw the recruitment and selection of Sara Dickinson, Non-Executive Director. An independent external executive search firm, H.I. Executive Consulting, was engaged to support this search. None of the Board have any connection with this firm; and
- undertook a structured, internally-led Board Effectiveness Review.

Corporate Governance Statement

The Committee's focus in 2022 will be to continue its work in relation to succession planning and executive talent management.

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

Annual Review of Performance and Effectiveness

The annual review of Board effectiveness for the year ended 31 December 2021 took place on 7 March 2022. As communicated in the 2020 Annual Report, it was the Nomination Committee's intention to appoint an independent third party to conduct the 2021 review, but in view of the recent and pending changes to the Non-Executive contingent of the Board, and the associated forthcoming changes to the Committee chair roles that will result (as described on page 36), it was felt that it would be of greater benefit to hold an externally facilitated review for the year ended 31 December 2022, once these changes have taken effect and are fully embedded.

The internally-led review for the year ended 31 December 2021 was comprised of a review of the agreed actions from the previous year's Board effectiveness review including progress made against these, and a review of the key discussion and decisions that have been taken by the Board and its Committees over the past 2 years.

The review took the form of a collective face to face discussion outside of a scheduled Board meeting, and was supported by materials prepared by the Company Secretary in advance of the review, including suggested discussion topics and questions that the Board might wish to take into account when considering the effectiveness of its decision making processes over the past two years.

As with the previous year's review, actions and objectives were identified from the review and progress against these will be monitored during the year.

Remuneration Committee

As at the date of this report, Peter Whiting is Chair of the Remuneration Committee. Following the publication of this report, Peter will relinquish this responsibility and Barbara Moorhouse will be appointed as Chair of the Remuneration Committee. Barbara has served on the Remuneration Committee since her appointment in 2015 and has demonstrated a robust and independent approach within both this role and her current role as Chair of the Audit Committee.

During the year, the Committee also comprised Ivan Martin and, from 1 October 2021, Sara Dickinson. The Remuneration Committee's Statement appears on pages 45 to 49 and the Directors' Remuneration Report appears on pages 50 to 71.

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

Audit Committee

As at the date of this report, Barbara Moorhouse, a Fellow of the Chartered Institute of Management Accountants (CIMA), is Chair of the Audit Committee. Barbara will handover this role to Sara Dickinson following the publication of this report. Sara holds extensive recent and relevant financial experience as a Chief Financial Officer and is a qualified accountant. During the year, the other Committee members were Peter Whiting and, with effect from 1 October 2021, Sara Dickinson. Following the 2022 Annual General Meeting, the Audit Committee will be comprised of two members, Sara Dickinson and Barbara Moorhouse. In accordance with the recommendations of the 2018 Corporate Governance Code, Ivan Martin does not serve on the Audit Committee, however, he does attend meetings of the Committee in the capacity of an observer.

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

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

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

On 17 September 2021, following a tender process, the Company appointed RSM UK Audit LLP (RSM) as its external auditor. RSM have conducted the audit of the Company's financial statements for the financial year to 31 December 2021 and their appointment as auditor for the following financial year will be subject to approval by shareholders at the 2022 Annual General Meeting.

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

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 41. The Executive Directors attended the Audit Committee meetings throughout 2021 by invitation. The Audit Committee meets at least annually with the Company's external auditors without the other Directors present. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee considers that, in some circumstances, the external auditors' understanding of the business can be beneficial in improving the efficiency and effectiveness of advisory work and, therefore, it has been considered appropriate that the external auditors can be engaged for non-audit services related to certain financial matters where permitted by the UK Ethical Standards. Both the Committee and the Board keep the external auditor's independence under close scrutiny. The Committee also continues to keep under review the nature of the work and level of fees paid to the external auditors for non-audit work and considers that this has not affected the 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 are set out below.

Revenue Recognition

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

These principally comprise:

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

Corporate Governance Statement

- 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 2021 which provides the opportunity to discuss the impact and application of each of these assumptions and estimates on the contracts selected. Included within this sample is a selection of contracts in respect of the acquired MPP Global business. 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 contracts included as part of the acquisition of MPP Global which included the provision of implementation services on a fixed price basis with fees totalling approximately £0.5 million. 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.

Intangibles Valuation on Acquisition

During the year the Group completed the acquisition of MPP Global and, as part of the business combination accounting, instructed a third-party specialist to undertake a valuation of any intangible assets generated. The judgments in relation to this valuation are those assumptions underpinning the valuation methodology and 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 by the Board. The Audit Committee received a presentation on the outcome of both the plan and finalised valuation report and was satisfied with the position.

Annual Goodwill Impairment Review

Goodwill is a material asset on the Group's balance sheet, which has increased in value during the year following the acquisition of MPP Global, and it is the Group's policy to annually test the asset for impairment. The judgments 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 £10.6 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 2021, the Group continued to reduce 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 performing a client referencing exercise, undertaken by an independent third party firm, in order to deepen understanding of client satisfaction levels with the Group's products and services. The findings of this exercise were presented to the Audit Committee and have been incorporated into a structured action plan to drive future improvements. Progress against this plan is being driven by senior management and is being monitored by the Audit Committee. During the year, the programme activities also included tracking progress against actions arising from the project control methodology review that was undertaken in 2020, and agreeing the scope of the programme's activities for 2022.

Accounting Standards

There have not been any new accounting standards effective during the year which had any significant impact on the Group's accounting policies and disclosures in these financial statements. The Audit Committee continues to monitor the application of relevant accounting standards to the Group including standards which are not yet effective, engaging with the external auditors on this subject as appropriate. None of the new standards which are effective for periods beginning after 1 January 2022 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 2021	9	3	6	3
Ivan Martin	9/9	3/3	6/6	3/3
Jeremy Suddards	9/9	3/3	6/6	3/3
Philip Wood	9/9	3/3	6/6	3/3
Peter Whiting	9/9	3/3	6/6	3/3
Barbara Moorhouse	9/9	3/3	6/6	3/3
Sara Dickinson (appointed 1 October 2021*)	2/2	1/1	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 12 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, 7 meetings of a sub-committee relating to the exercise of options under the Company's share option schemes were held.

* Sara Dickinson's attendance is shown in relation to meetings held since her appointment to the Board on 1 October 2021.

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 31.

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.



Corporate Governance Statement

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 19 to 21. 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 2021 and up to the date of approval of these financial statements, are set out below:

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

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

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

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

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

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

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

On behalf of the Board, the Audit Committee has reviewed the key risks facing the Group, and the operation and effectiveness of its framework of internal control for the year ended 31 December 2021, and up to the date of approval of the Annual Report.

Application of the 2018 Corporate Governance Code

Main Principles

Group Compliance Statement

1. Leadership and Company Purpose

<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>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 19 to 21.</p>
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>During the year, Peter Whiting and Barbara Moorhouse, being independent Non-Executive Directors, held joint responsibility for engaging with the wider workforce, albeit that all Non-Executive Directors are actively involved in wider workforce engagement activities. The Board, as a whole, reviews these engagement activities on a quarterly basis. The designated independent Non-Executive Directors with responsibility for overseeing wider workforce engagement are now Barbara Moorhouse and Sara Dickinson. Employees are able to raise any concerns with the Senior Independent Director.</p>

2. Division of Responsibilities

<p>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.</p>	<p>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.</p>
<p>G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making process. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.</p>	<p>The Board has an independent Non-Executive Chairman and Executive Directors are responsible for the running of the Group. All of the Non-Executive Directors are considered by the Board to be independent of the management of the Company and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. The Board has included at least three independent Non-Executive Directors (including the Non-Executive Chairman) at all times during 2021. Peter Whiting has been appointed as the Senior Independent Non-Executive Director throughout the year, to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. This role will be fulfilled by Barbara Moorhouse going forward. 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.</p>
<p>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.</p>	<p>The other significant commitments of the Chairman and the Non-Executive Directors are disclosed in the Annual Report. Any changes to such commitments are reported to the Board as they arise, and their impact explained in the next Annual Report. Executive Directors will not be given permission by the Board to take on more than one directorship in another Company. The terms and conditions of appointment of Non-Executive Directors are made available for inspection. The letter of appointment sets out the expected time commitment. The appointed Non-Executive Directors have undertaken that they will have sufficient time to meet what is expected of them.</p>

Corporate Governance Statement

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 37.

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 2021 can be found on page 38. 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 2021 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 19 to 21.

5. Remuneration

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

Financial and non-financial objectives are set for Executive Directors and performance against these determine Executive bonus levels. These objectives are directly linked to the purpose and long-term strategy of the Group. The Remuneration Policy is regularly reviewed to ensure that this supports the long-term success of the Group. The current Remuneration Policy was adopted by Shareholders in 2020. The Remuneration Committee has proactively engaged with major investors on its 2021 approach to executive remuneration in respect of the year ended 31 December 2021.

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 38. 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 2021, 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 2021. This report summarises the Committee's decisions in relation to Directors' remuneration for 2021 and describes how the Committee proposes to implement the Directors' Remuneration Policy ("Policy") in 2022. The Policy was approved by shareholders in 2020, and the Committee considers it continues to support the delivery of our strategy, therefore it will continue to apply for 2022. During 2022, we will review the Policy in advance of its renewal by shareholders at the 2023 Annual General Meeting in line with the usual triennial process.

2021 remuneration in the context of our business performance and outcomes for our stakeholders

Our aim is always to consider the wider workforce, our shareholders and other stakeholders by taking a fair, prudent and balanced approach to remuneration.

As disclosed in the Remuneration Report last year, 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. For the year ended 31 December 2021, the Group's remuneration framework returned to more normalised arrangements compared to the approach we adopted in 2020 to balance the impact of the COVID-19 pandemic on the Group, its stakeholders and the wider market with the need to fairly reward and incentivise the Executive Directors and senior management.

Our decisions in relation to executive remuneration this year have been taken against a backdrop of the Group having made strong progress in 2021, with new business success across all of our key regions together with the continued development of the Group's product strategy. New business highlights include:

- Organic growth in Annual Recurring Revenue of 10% on a constant currency basis;
- a number of multi-year agreements signed with insurers in all geographies for the use of Aptitude Insurance Calculation Engine and Aptitude Accounting Hub to drive regulatory compliance; and
- continued new business success with Aptitude Revenue Management including a growing number of clients in new industry verticals.

Strong progress has also been achieved in 2021 on strategic initiatives to provide the Group with sustainable growth opportunities for the future, including:

- Investment in Fynapse, Aptitude Software's next generation strategic digital finance platform; and
- the strategic acquisition of MPP Global, further strengthening Aptitude Software's capability in subscription management, a fast-growing market in which the Aptitude Revenue Management product set already has strong market presence.

In addition, it remains the case that the Group has not applied for nor taken any form of aid from the United Kingdom Government, it did not furlough any employees, and nor did it apply for any government-sponsored loan schemes. The Group continues to remain cash generative and has paid an interim dividend in 2021 equal to that paid in the prior year. Annual pay rises for the wider workforce were also resumed during 2021.

Executive Director Remuneration in 2021

Salaries

As set out in the Remuneration Report last year the salaries of the Executive Directors were increased on 1 April 2021 in conjunction with the review of the salaries for the wider workforce and Jeremy Suddards' salary was increased from £250,000 to £285,000. As disclosed last year, this increase took into account the modest increase he received on promotion to the Board and in recognition of his development since that time. Philip Wood's salary was increased by 3.2%, aligned with the increases received by the wider workforce. The Group's approach to Executive Director salaries in 2022 is discussed further on page 47.

Variable remuneration outcomes

The overall performance of the Group in 2021 is discussed in the Strategic Report on pages 2 to 16.

Directors' Remuneration Statement

Management Bonus Scheme

In 2021 bonus opportunities were reset at a maximum opportunity of 125% of salary. This followed the significant reduction in the bonus opportunity to 30% of salary for 2020 taking into account the anticipated impact of the pandemic (notwithstanding which 20% of bonuses earned for 2020 were deferred into shares to be held for two years, once more aligning the interests of the Executive Directors with those of the Group's shareholders).

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 2020 the weightings of the financial metrics were recalibrated so that 75% was based on ARR and 25% on Operating Profit, reflecting the need to safeguard necessary investment decisions and ensure a strong focus on growing recurring revenues. With a return to more normalised arrangements for 2021, the financial metrics reverted to the previous 50:50 weighting.

Details of the financial and non-financial performance measures set for the year ended 31 December 2021 and the achievements against them are set out on page 61.

The Committee determined that Jeremy Suddards' 2021 objectives were met at a satisfactory level and consequently he earned a bonus of £167,081 (58.6% of salary out of a maximum of 125% of salary) for the year ended 31 December 2021.

Philip Wood's objectives were also met at a satisfactory level and he earned a bonus of £156,129 (61.7% of salary out of a maximum of 125% of salary) for the year ended 31 December 2021.

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

Performance Share Plan awards vesting in respect of performance in 2021

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 2021. 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 63. The threshold level of EPS performance was not achieved, and the TSR performance condition was achieved at 86.4%, resulting in an anticipated overall vesting of 43.2%. These awards are subject to a further two year holding period.

Performance Share Plan awards granted in 2021

The Group's Remuneration Policy permits awards to be granted up to a maximum of 125% of salary, and in the 2020 Directors' Remuneration Report we indicated that awards would be granted at this level to each of the Executive Directors in 2021. The award granted to Jeremy Suddards was at the level of 125% of salary. Having regard to the level of awards to be granted to other members of the workforce in 2021, Philip Wood indicated to the Committee that he thought an award of 100% of salary was more appropriate for 2021, a proposal which the Committee accepted. Accordingly on 4 November 2021, Jeremy Suddards and Philip Wood were granted Performance Share Plan awards over 57,676 and 40,934 shares respectively.

The performance conditions for the awards granted in 2021 were 75% attributable to TSR and 25% attributable to EPS growth. In recent years, Performance Share Plan awards have been granted with performance conditions based on TSR and EPS on an equally weighted basis. In 2020, the awards were subject only to a TSR performance condition, reflecting the Committee's view that attempting to set an EPS growth target could have proved binary in nature relatively early in the performance period in the context of the pandemic, and thus not had the desired long-term motivating effect. The Remuneration Committee took the decision to reinstate two financial performance measures in 2021, with a weighting of 75:25 in favour of TSR. The rationale for this move to a 75:25 weighting was to align the 2021 performance measures with the Group's strategic focus of maximising ARR growth. Details of the performance measures are set out on page 61. EPS will be assessed over financial years 2021, 2022 and 2023, with TSR assessed over three years from the grant of the awards. The awards will be subject to a two year holding period following the end of the TSR performance period.

Approach to Executive Director remuneration in 2022

The Group's approach to remuneration in 2022 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.

We explained last year that subject to Jeremy Suddards' continued development and strong performance in role and the financial performance of the Group over 2021 the Committee would consider applying a base salary increase in 2022 of a similar quantum to that awarded to him in 2021, being the second part of the phased increase since his promotion to the Board in September 2019. Having regard to Jeremy's performance over the year, the extent to which he has developed in this role since that time, and the overall financial performance of the Group, the Committee has confirmed that his salary will increase from £285,000 to £315,000 (10.5%) with effect from 1 April 2022. The Committee is mindful of the impact on the total compensation opportunity of increases in the base salary, but considers that the overall package remains positioned appropriately taking into account the stretch in the performance conditions applying to the annual bonus and Performance Share Plan awards.

Philip Wood's salary will be increased by 5.5% with effect from 1 April 2022, taking this from £252,840 to £266,746. This salary increase is aligned with the average increases that will be received by the Group's wider workforce in the United Kingdom and North America.

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 2022 will be 125% of salary, in line with the Remuneration Policy adopted 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 (expected to be based on Operating Profit and Annual Recurring Revenue with an equal weighting) and 25% on non-financial measures linked to the delivery of the Group's key strategic goals. The payment of any bonus in respect of non-financial measures will be conditional on the achievement of a financial underpin. A bonus deferral mechanism will continue to be applied, meaning that 20% of any bonus payment earned will be subject to a deferral period of two years and payable in shares.

In 2022, the Committee intends to grant PSP awards up to 125% of salary to Jeremy Suddards and Philip Wood, as permitted by the Remuneration Policy approved by shareholders in 2020. The performance measures will include a relative TSR measure for at least 50% of the award and at least one other financial metric, such as EPS. The TSR measure will compare the Group's TSR performance against a comparator group consisting of the FTSE SmallCap Index (excluding investment trusts) over a three year period from the date of grant, with 25% vesting for median performance rising to 100% for upper-quartile performance. In line with the Group's usual practice, awards are intended to be granted following announcement of the interim results. As this will be over halfway through the year and after the change in the Chairmanship of the Committee, the weighting of the performance measures and the performance targets for the other financial metric will be disclosed both at grant and in the 2022 Directors' Remuneration Report.

Stakeholder engagement

The Committee recognises the importance of engagement with stakeholders in relation to executive remuneration.

During the year, the Group proactively engaged with its major investors to communicate the rationale for the 2021 Executive Director salary increases, and again shortly prior to the publication of this report in relation to the 2022 Executive Director salary increases. No significant concerns have been raised by investors in connection with the salary increases or our approach to executive remuneration.

During the year, the Committee engaged directly with the Executive Directors to explain, in particular, the link between the performance measures for the annual bonus (with particular focus on the non-financial measures) and PSP awards and the Group's strategy. Under the guidance of the Committee, the Executive Directors then engaged with the senior management on an equivalent basis, via a combination of collective team briefings and one-to-one sessions, providing the opportunity for discussions and questions on these 2021 remuneration arrangements. Senior management then cascaded this information deeper into the organisation as appropriate. Ongoing feedback is also sought from the wider workforce on a range of satisfaction measures, including pay and benefits, and these results are shared with senior management and the Committee members on a regular basis.

Directors' Remuneration Statement

Looking ahead – key focus areas for the Committee for 2022

During the course of 2022 we will be reviewing our remuneration policy to ensure that it continues to support our strategic priorities. The Committee is mindful of the need to attract and retain high calibre individuals in an increasingly competitive market and to remunerate executives fairly and responsibly. We will consult with our shareholders in advance of the next triennial shareholder vote on the policy at the 2023 AGM.

With effect from 14 March 2022, I will also transfer Remuneration Committee Chair responsibilities to Barbara Moorhouse, who has been a member of the Committee since her appointment to the Board in April 2017.

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 2022; 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 2021. This will be subject to an advisory vote at the 2022 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 2021.

The Group employs fewer than 250 employees in the United Kingdom and accordingly is not required to disclose a Chief Executive Officer pay ratio calculation. The Company considered that production of such a calculation would not provide a meaningful disclosure given the geographical spread of the workforce and the impact of location on appropriate levels of remuneration. Notwithstanding this, the Group has internal processes in place to ensure that pay levels across the Group are fair in relation to industry levels, role type and also across men and women within the Group. Further details of how the Group ensures this can be found on page 27. Information in relation to wider workforce remuneration is provided to the Committee in order that its decisions on remuneration for Executive Directors and senior management are taken in the context of wider workforce pay.

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;
- 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.

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. In-service and post-employment shareholding guidelines and a new bonus deferral arrangement were 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 54.

Proportionality

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

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

Alignment to culture

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

Directors' Remuneration Report

A. DIRECTORS' REMUNERATION POLICY ("POLICY")

This part of the Report sets out the Company's Directors' Remuneration Policy, which 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 2022. A version of the original text and charts can be found in the 2019 Annual Report at www.apititudesoftware.com. This Directors' Remuneration Policy is not subject to a vote at the Annual General Meeting to be held on 28 April 2022.

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: <ul style="list-style-type: none"> • an increase in scope or responsibility of the individual's role; • development of the individual within the role (including enhanced performance); • alignment to market level; and • a change in the size or complexity of the business. 	None, although overall performance of the individual will be taken into consideration by the Committee when setting and reviewing salary levels.
Retirement benefits To provide an opportunity for Executives to build up income for retirement.	All Executive Directors are eligible to participate in the Group Personal Pension Scheme on the same terms as other employees. In appropriate circumstances, Executive Directors may receive a cash allowance in lieu of a pension contribution, or a combination of a pension contribution and a cash allowance.	Pension contribution The Group matches employee contributions on a 2:1 basis with employer contributions not exceeding 6% of basic salary. No element other than basic salary is pensionable. Cash allowance The maximum cash allowance (after deducting any employer pension contribution) is 6% of basic salary.	None.
Benefits To provide market-competitive benefits.	Executive Directors receive benefits which consist primarily of income protection in the event of long-term ill health, private healthcare insurance and death-in-service benefits. Other benefits may be provided based on individual circumstances, such as relocation and travel expenses.	No maximum value of benefits has been set as benefits vary by role. However, the level of benefits provided is set at a level which the Committee considers to be sufficient based on the role and individual circumstances.	None.
Management Bonus Scheme To incentivise and reward strong performance against financial and non-financial annual targets, thus delivering value to shareholders.	The Committee assesses actual performance compared to the performance targets following the completion of the financial year and determines the bonus payable to each individual. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance or if it considers the formulaic output inappropriate in the context of circumstances that were unexpected or unforeseen. For Executive Directors, 20% of any bonus earned will be deferred into shares for a period of two years, with the remainder payable in cash. Deferred bonus awards may take the form of nil (or nominal) cost options, conditional awards of shares or such other form as has the same economic effect.	The maximum annual opportunity is 125% of salary.	Performance measures and targets (and their weightings where there is more than one measure) are set by the Committee on an annual basis to reflect the Company's strategic priorities. At least 75% of the opportunity will be based on key financial measures, and the balance will be based on non-financial measures. Financial measures Up to 50% of the maximum payable in respect of a financial measure will be paid for on target performance, increasing to 100% for stretch performance. Non-financial measures Vesting in respect of any non-financial measure will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant measure is achieved. Vesting in respect of any non-financial measure will ordinarily be subject to the satisfaction of a financial performance underpin.

Executive Directors' Policy Table (continued)

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
	<p>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).</p> <p>Bonuses are subject to malus and clawback provisions as referred to below the table.</p>		
<p>Performance Share Plan</p> <p>To drive sustained long-term performance that supports the creation of shareholder value.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>The Committee has discretion to vary the formulaic vesting outcome if it considers that the outcome 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.</p> <p>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).</p> <p>Awards under the PSP are subject to malus and clawback provisions as referred to below the table.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p>
<p>Save As You Earn Scheme</p> <p>To give all employees in the Group the opportunity to buy shares.</p>	<p>All qualifying employees and Executive Directors of the group are invited to participate on the same basis.</p> <p>Awards in the United Kingdom must comply with certain legislative requirements to benefit from beneficial tax treatment.</p>	<p>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).</p>	<p>None.</p>

Directors' Remuneration Report

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.

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.	<p>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.</p> <p>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.</p> <p>The Non-Executive Directors are not eligible to participate in the Company's performance-related incentive plans or pension arrangements.</p> <p>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.</p>	<p>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).</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	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.

Directors' Remuneration Report

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 2022 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 2022 as referred to on page 65, with pension and incentive opportunities based on this salary. Benefits are based on the 2021 benefits figure from the single total figure of remuneration table on page 60.

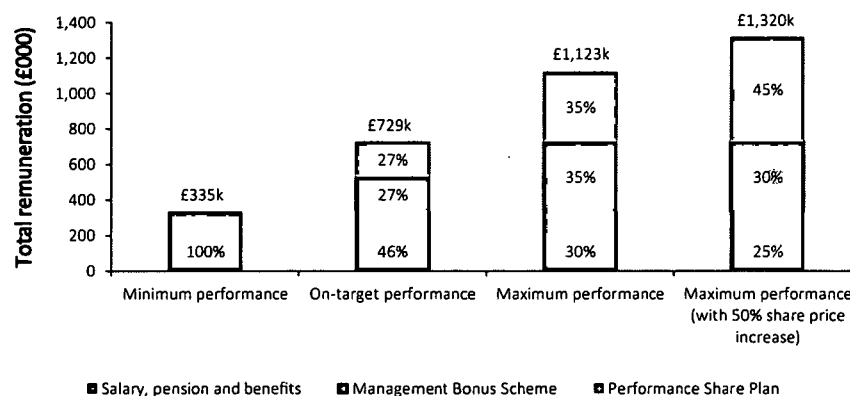
The 'minimum' scenario shows basic salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the Executive Directors' remuneration packages which are not at risk.

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.

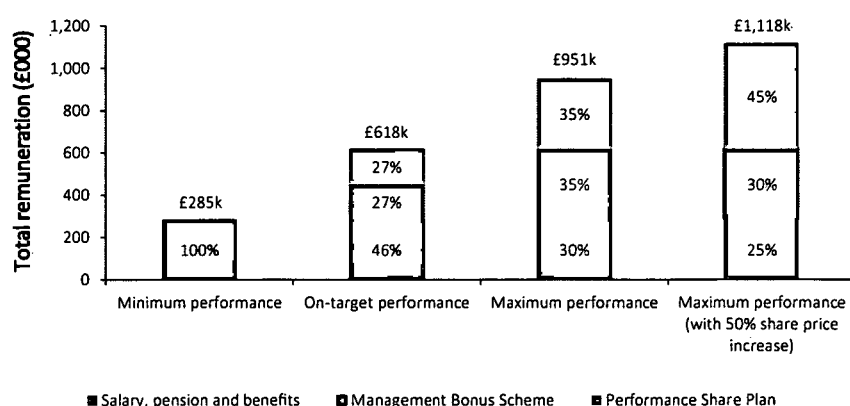
The 'maximum' scenario reflects fixed remuneration as above plus full vesting of the Management Bonus Scheme (125% of salary). In this scenario it is assumed that the Executive Directors are granted PSP awards of a value equivalent to 125% of their basic salary with the full award ultimately vesting.

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.

Jeremy Suddards



Philip Wood



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 53. 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' Remuneration Report

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 2024
Peter Whiting	2 February 2012	2 February 2012	1 March 2023*
Barbara Moorhouse	27 February 2017	1 April 2017	1 March 2023
Sara Dickinson	1 October 2021	1 October 2021	1 October 2024

* Peter Whiting will not seek re-election at the 2022 Annual General Meeting and his appointment as a Director will therefore terminate on 28 April 2022.

Legacy arrangements

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

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

For these purposes, the term "payment" includes the satisfaction of awards of variable remuneration and in relation to an award over shares the terms of the payment are agreed at the time the award is granted.

Directors' Remuneration Report

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 2021 along with information on how the Policy is to be applied in 2022 and other required disclosures. The sections of the report which are audited are clearly identified as such in the section heading.

Role of the Remuneration Committee

The Committee's primary function is to ensure that the delivery of the Company's strategy is supported by the Company's Remuneration Policy. The Committee's responsibilities during 2021 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 2021

The membership of the Remuneration Committee as at 31 December 2021 comprised Peter Whiting (Committee Chair), Barbara Moorhouse, Ivan Martin and Sara Dickinson. Following the publication of this report, the Committee will be comprised of Barbara Moorhouse (Chair), Ivan Martin and Sara Dickinson.

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

The Committee held 6 meetings during the financial year, and details of members' attendance at meetings are provided in the Corporate Governance section on page 41.

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 2021 and the prior year.

	Jeremy Suddards		Philip Wood	
	2021	2020	2021	2020
	£	£	£	£
Basic Salary	276,250	250,000	250,880	242,375
Taxable Benefits ¹	1,344	1,295	1,860	1,738
Pension ²	15,000	14,210	14,700	15,422
Management Bonus ³	167,081	59,167	156,129	57,983
Long Term Incentives ⁴	214,551	62,958	157,690	88,294
Total	674,226	387,630	581,259	405,812
Total Fixed Remuneration	292,594	265,505	267,440	259,535
Total Variable Remuneration	381,632	122,125	313,819	146,277

1 Taxable benefits consist primarily of private healthcare insurance.

2 The Company paid £15,000 to Jeremy Suddards (2020: £14,210) and £14,700 to Philip Wood (2020: £15,422) into a self-invested personal pension scheme.

3 See below for details of bonuses earned under the Management Bonus Scheme in respect of 2021.

4 Includes, in respect of 2021, PSP awards that are expected to vest by reference to a performance period ending in the year ended 31 December 2021, with further information included on page 63. The value of the awards relating to 2020 for Jeremy Suddards have been pro-rated to reflect the proportion of the performance period for which he was an Executive Director. In the 2020 Directors' Remuneration Report, the value of the awards vesting in respect of the performance period ended 31 December 2020 was calculated by reference to the three month average share price up to 31 December 2020 (being £4.53). The values have been updated to reflect the share price on the date of vesting (4 May 2021), being £6.73.

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 2021 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		Sara Dickinson ²	
	2021	2020	2021	2020	2021	2020	2021	2020
	£	£	£	£	£	£	£	£
Basic Salary ¹	146,195	141,143	47,194	45,563	47,194	45,563	11,981	–
Committee Fees	4,500	–	14,283	12,554	8,390	8,100	–	–
Total	150,695	141,143	61,477	58,117	55,584	53,663	11,981	–

1 Non-Executive Directors' fees were increased with effect from 1 April 2021 as disclosed in the 2020 Directors' Remuneration Report.

2 Sara Dickinson was appointed as a Non-Executive Director on 1 October 2021.

Incentive outcomes for the year ended 31 December 2021 (audited)

Management Bonus Scheme in respect of 2021 performance

The 2021 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 2021. The maximum bonus opportunity permitted for each Executive Director under the Remuneration Policy was 125% of salary. Of this, 75% of the maximum opportunity (93.75% of salary) related to performance against financial objectives, and 25% of the maximum opportunity (31.25% of salary) related to performance against non-financial objectives. 20% of the bonus payable in the form of shares, deferred for two years. The deferred shares will be granted following the release of the 2021 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 2021.

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

Measure	Weighting	Threshold at which bonuses accrued	On-target performance level ³	Stretch performance level	Actual performance level (% of salary)	Bonus earned
Recurring revenue base ¹	50% of the financial measures opportunity	£33.1m	£35.2m	£37.3m	£34.4m	14.5%
Operating profit ²	50% of the financial measures opportunity	£10.5m	£10.5m	£12.7m	£11.3m	31.6%

1 The recurring revenue base target was set on a constant currency basis, using a planned conversion rate from USD of 1.35. The actual reported result of £34.4m was converted using the prevailing year end USD rate of 1.349 and excludes the impact of the MPP Global acquisition.

2 Operating profit has been adjusted to remove the impact of any non-underlying items along with the performance of the MPP Global business whilst under Aptitude Software's ownership. The target and actual operating profit amounts are shown prior to any adjustments for bonuses.

3 The Operating Profit threshold at which bonuses were capable of accruing was equivalent to the on-target level. The Recurring Revenue threshold was below the on-target level.

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 target was met for 2021.

The following non-financial measures were set for Jeremy Suddards for the year ended 31 December 2021:

- 1) successfully build and launch the Group's finance transformation software;
- 2) successfully hire a new EVP of Product Strategy & Innovation to support and develop current product strategy;
- 3) drive Annual Recurring Revenue growth in the International region in line with targeted levels, demonstrating a diversified portfolio and a strong 2022 pipeline;
- 4) demonstrate ongoing succession planning, with a particular focus on senior leadership; and
- 5) create a four year strategic business plan to support growth and increase the overall valuation of the Group.

Having considered the progress made against of these objectives, the Committee concluded that it was appropriate to pay Jeremy Suddards a bonus of 12.5% of his salary under the non-financial element of the 2021 bonus (the maximum possible payment being 31.25% of salary). Key achievements during the year included the following:

- 1) Fynapse, the Group's next generation digital finance platform, is being launched to the market in March 2022, and investment in this platform has been accelerated. During 2021, the Fynapse product strategy and development roadmap was successfully progressed and the Group is now working closely with a major global client in relation to this new platform. See page 5 for further information on Fynapse.

Directors' Remuneration Report

- 2) During the year the Group hired Christophe Kasolowsky as its new Executive Vice President of Product Strategy and Innovation. Christophe brings 20 years of financial services experience to the Group, including strong domain and experience and 15 years spent in the finance advisory space.
- 3) The International region made a strong contribution to the Group's 2021 ARR growth of 10%. This included a number of new business wins and contract expansions, in both existing and new industry verticals.
- 4) Despite the recruitment market within the technology sector proving challenging throughout 2021 and remaining so in 2022, a number of new high calibre senior hires were secured during the year, adding further strength and depth to the management team. A number of additional senior employees have been identified to join the Group in 2022, further strengthening the Group's succession plan.
- 5) The business plan has been formulated to incorporate necessary investments in product development, in order to support the long-term growth and success of the Group. This includes the acceleration of investment in Fynapse and the integration of Aptitude's Revenue Management software with eSuite (MPP Global Solutions' subscription management software). See page 5 for further details.

The following non-financial measures were set for Philip Wood for the year ended 31 December 2021:

- 1) leadership of a programme to identify acquisition opportunities to accelerate the strategic development of the Group;
- 2) commercial leadership of the Group's Accounting Hub and Insurance Calculation Engine offerings as SaaS;
- 3) deliver against agreed plans for the Solution Management Services offering; and
- 4) supporting the evolution and operational organisation of the Aptitude Innovation Centre in Wroclaw.

Having considered the progress made against of these objectives, the Committee concluded that it was appropriate to pay Philip Wood a bonus of 15.6% of his salary under the non-financial element of the 2021 bonus (the maximum possible payment being 31.25% of salary). Key achievements during the year included the following:

- 1) Following a structured assessment and due diligence process, the Group acquired MPP Global Solutions, an international provider of cloud-based subscription management and billing technology, on 9 October 2021. The integration of MPP Global's subscription management platform, "eSuite", with Aptitude Software's existing software is expected to provide both new business opportunities and further opportunities within the existing customer base. See page 6 for further details.
- 2) SaaS capabilities across the entire product portfolio were leveraged during 2021, with all new clients since February 2021 having deployed the Group's software in this way. SaaS subscription fees as a proportion of Annual Recurring Revenue increased organically to 31% in 2021 (2020: 23%). The re-negotiation of the Groups' SaaS licencing arrangements during the year also resulted in cost efficiencies for clients.
- 3) The Group's Solution Management Services offering is proving popular with its client base and represents a growing percentage of the Group's revenues. Progress continues to be made to enhance the Group's ability to provide its clients with technology support that would traditionally be provided in-house.
- 4) Continued investment was made in the Group's Innovation Centre in Poland. In addition to development, activities undertaken by the Centre now include cloud operations, support activities and the growing solution management services offering. The number of employees in the Wroclaw Innovation Centre grew from 162 at the end of 2020 to 198 at the end of 2021.

2021 Management Bonus – Overall Outcome

	Overall (% achievement)	Financial (75% of award)	Non-financial (25% of award)	Total bonus payable [*]
Jeremy Suddards	58.6%	46.1%	12.5%	£167,081
Philip Wood	61.7%	46.1%	15.6%	£156,129

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

PSP awards vesting in respect of performance in 2021

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 2021. The final vesting will be confirmed by the Committee following the finalisation of this report. Jeremy Suddards holds awards over 85,179 shares and Philip Wood over 62,606 shares.

The value included in the single total figure of remuneration is based on the estimated vesting outturn and the estimated value of a share at vesting calculated by reference to the three month average share price up to 31 December 2021 (being £5.904) less the per share exercise price (7 1/3 pence).

	Shares subject to award	Vesting percentage ¹	Vested shares	Value
Jeremy Suddards	85,179	43.2%	36,797	£214,551
Philip Wood	62,606	43.2%	27,045	£157,690

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

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

Each award is also subject to a further performance condition that the extent of vesting reflects the overall financial performance of the Company over the performance period. The Company's TSR over the period was 51.3%, which was between the median and upper quartile of FTSE SmallCap constituents such that the TSR element of the awards vested at 86.4%. The EPS element of the award required compound annual growth in EPS of 19% for the threshold vesting (25% of the award) rising to full vesting for compound annual growth in EPS of 23%. The EPS growth over the performance period was less than 19% and consequently 0% of the awards will vest by reference to EPS growth.

The Committee considered that the overall vesting level of 43.2% fairly 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 ¹	Value attributable to change in share price between grant and at vesting ²	Value attributable to dividends paid over the period from grant to vesting
Jeremy Suddards	Awards granted on 28 October 2019	£214,551	£213,300	£1,251	Nil
Philip Wood	Awards granted on 28 October 2019	£157,690	£156,771	£919	Nil

¹ The share price on the date of grant was £5.870.

² The share price at vesting is estimated to be £5.904 (being the three month average share price over the final three months of the 2021 financial year)

PSP awards vesting in respect of performance in 2020

In the 2020 Directors' Remuneration Report estimated vesting rates were provided for awards held by Jeremy Suddards and Philip Wood that were granted during 2018 and were expected to vest by reference to the three year performance period ended 31 December 2020. The Committee confirms that the actual vesting rates for these awards were the same as the estimates provided within the 2020 Annual Report and Accounts. In the single total figure of remuneration table in the 2020 Directors' Remuneration Report, these awards were valued by reference to the three month average share price up to 31 December 2020 (being £4.53). In the single total figure of remuneration table on page 60, the values have been updated to reflect the actual share price on the date of vesting, being £6.73.

Directors' Remuneration Report

Share awards granted during the year (audited)

On 4 November 2021 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. In the 2020 Directors' Remuneration Report it was stated that awards equivalent to 125% of salary would be granted to Philip Wood, but Philip felt that 100% of salary was more appropriate in the context of the Group's overall remuneration arrangements and the Remuneration Committee was supportive of this approach for 2021.

Executive Director	Number of shares subject to award	Basis of award	Face value of award ¹	% of award vesting for threshold performance
Jeremy Suddards	57,676	125% of salary	£356,438	25%
Philip Wood	40,934	100% of salary	£252,972	25%

¹ Based on a share price of £6.18 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 based on:

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

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

(b) as regards the other 25% of the shares subject to the options, the annual compound growth rate in the Company's Earnings Per Share (EPS) at the end of a period of three financial years ending with 2023, as follows:

Percentage of the options subject to the EPS performance condition that vests	Diluted EPS for the final year of the performance period
0%	Less than 16.7 pence
25%	16.7 pence
Determined on a straight-line basis between 25% and 100%	Between 16.7 pence and 18.6 pence
100%	18.6 pence or more

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

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

All 2021 awards are subject to downward adjustment should the Committee conclude that the formulaic vesting does not reflect the Committee's assessment of performance.

Termination payments and payments to past Directors (audited)

There were no termination payments or payments made to past Directors during the year.

Implementation of Remuneration Policy for 2022

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 47, the salaries of the Executive Directors will be increased on 1 April 2022.

	Basic salary as at 31 December 2021	Basic salary from 1 April 2022	Percentage increase on 1 April 2022
Jeremy Suddards	£285,000	£315,000	10.5%
Philip Wood	£252,840	£266,746	5.5%

Management Bonus Scheme

The maximum bonus opportunity for Executive Directors in 2022 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 are expected to include Operating Profit and Annual Recurring Revenue growth. The non-financial performance measures will be subject to a financial underpin. In the view of the Committee the measures and targets are commercially sensitive as they give competitors information in relation to the Company's targets and plans. Information will be disclosed when no longer considered commercially sensitive, as with the disclosure of the 2021 bonus outturn on pages 61 and 62. 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 2022. Awards may be granted up to a maximum level of 125% of salary. The performance measures will include a relative TSR measure for at least 50% of the award and at least one other financial metric, such as EPS. As with the awards granted in 2021, the TSR performance measure will compare the Company's TSR performance with a comparator group consisting of the FTSE SmallCap Index (excluding investment trusts), with 25% of the TSR element vesting for performance at median, rising to 100% for upper-quartile performance. TSR performance will be assessed over the three year period from the date of grant. Details of the other financial measure (and of the associated targets) and of the weightings between the measures will be disclosed both at grant and in the 2022 Directors' Remuneration Report. Targets will be set to ensure that full vesting requires the achievement of stretching levels of performance, with threshold performance delivering 25% vesting. The awards will be subject to a two year holding period following the end of the performance period, at the end of which they will vest and can be exercised. An additional payment will also be made in shares to reflect the value of any dividends paid during the two year holding period.

Directors' Remuneration Report

Non-Executive Director fees

Fees for the Chairman and Non-Executive Directors were increased with effect from 1 April 2021, in line with the review of the average wider workforce salaries in the United Kingdom and North America regions. The fees payable to the Chairman and Non-Executive Directors will be increased by 5.5% on 1 April 2022.

	Fee at 31 December 2021	Fee at 1 April 2022
Chairman	£148,460	£156,625
Basic Non-Executive Director fee	£47,925	£50,560
Audit Committee Chair fee	£8,520	£8,990
Remuneration Committee Chair fee	£7,455	£7,865
Senior Independent Director fee	£7,455	£7,865
Nomination Committee Chair fee	£6,000	£6,330

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

	Financial year ²	Salary	Taxable benefits	Single year variable
Executive Directors				
Jeremy Suddards	2020 - 2021	10.5%	3.7%	182.4%
	2019 - 2020	0.0%	N/A	N/A
Philip Wood	2020 - 2021	3.5%	7.0%	169.3%
	2019 - 2020	(2.5%)	17.6%	(41.3%)
Non-Executive Directors				
Ivan Martin ³	2020 - 2021	6.8%	N/A	N/A
	2019 - 2020	0.0%	N/A	N/A
Barbara Moorhouse	2020 - 2021	3.6%	N/A	N/A
	2019 - 2020	0.0%	N/A	N/A
Peter Whiting	2020 - 2021	5.8%	N/A	N/A
	2019 - 2020	0.0%	N/A	N/A
Other employees ¹	2020 - 2021	4.3%	22.0%	0.6%
	2019 - 2020	1.6%	3.0%	34.1%

1 Based on the United Kingdom employees only as the most appropriate comparator group. In order to provide a meaningful comparison with the previous years, these figures exclude MPP Global Solutions employees, who joined the Group on 9 October 2021.

2 Explanatory notes relating to the prior year figures are included in the relevant year's Directors' Remuneration Report.

3 The salary received by Ivan Martin during 2021 included the addition of a fee for Chairing the Nomination Committee.

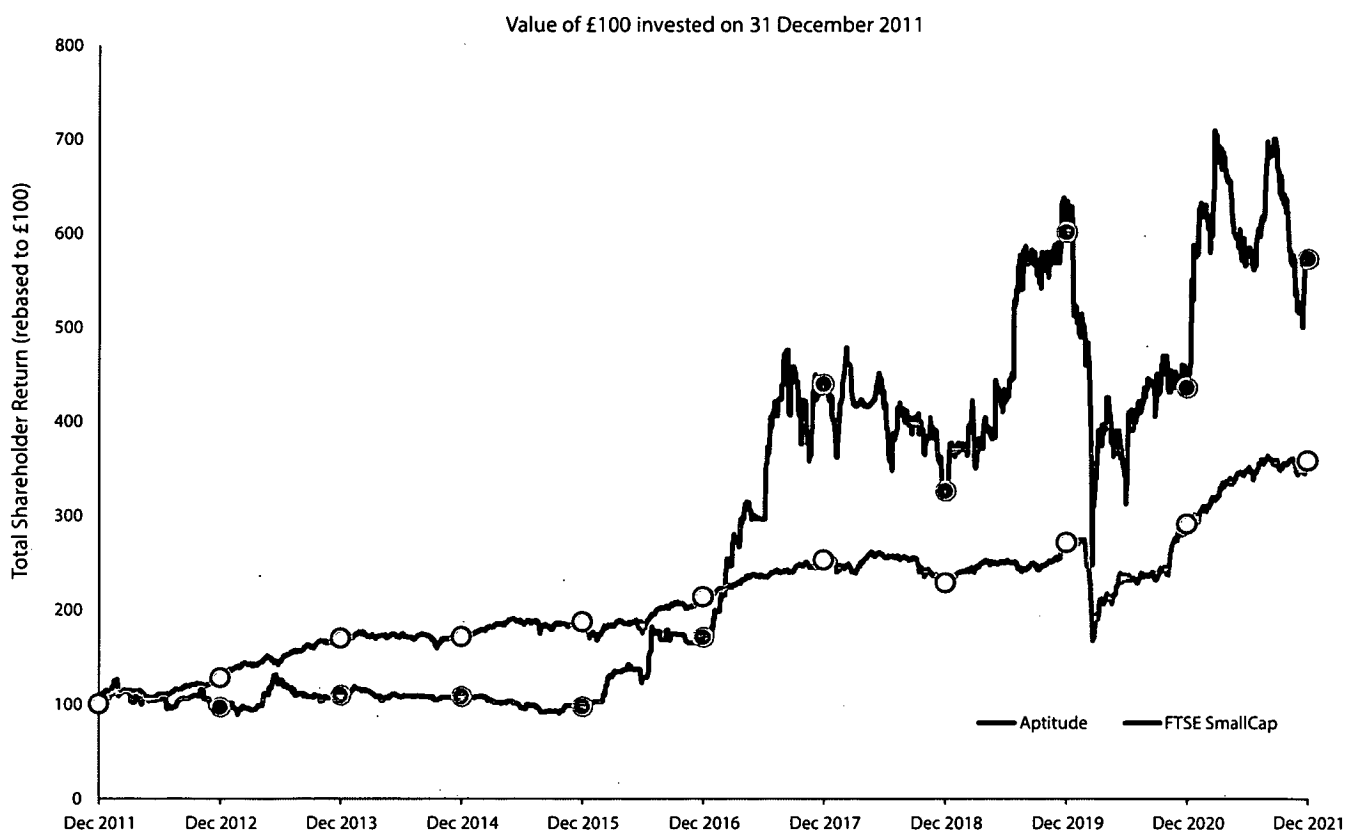
Relative importance of spend on pay

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 2020 to the financial year ended 31 December 2021, based upon continuing operations.

	% change	2021 £000	2020 £000
Return to shareholders in year	0.4%	3,057	3,044
Employee remuneration	3.2%	35,412	34,326

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 2021. 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 2012 - 2021 (inclusive).

Year		Total Remuneration	Bonus Award as a percentage of maximum opportunity	Long term incentives vesting as a percentage of maximum opportunity
2021	Jeremy Suddards (Chief Executive Officer)	£674,226 ¹	46.90% ²	43.2%
2020	Jeremy Suddards (Chief Executive Officer)	£387,630 ³	78.67% ⁴	26.60%
2019	Tom Crawford (Chief Executive Officer, Aptitude Software Group plc – retired 17 January 2020)	£1,634,545 ⁵	0.00%	100.00%/75.50%
2018	Simon Baines (Chief Executive Officer, Microgen Financial Systems) ¹⁰	£776,610 ⁴	0.00%	100.00%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£858,130 ⁶	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 ⁷	50.00%	98.53%
	Tom Crawford (Chief Executive Officer, Aptitude Software)	£1,269,113 ⁸	92.50%	98.53%
2015	Martyn Ratcliffe (Executive Chairman) ⁹	£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

¹ £214,551 of this amount relates to the expected vesting, in terms of performance, of awards granted under the Group's 2016 Performance Share Plan.

² The maximum bonus opportunity for 2021 was 125% of salary. Jeremy Suddards received a bonus of 58.6% (being 46.9% of the maximum opportunity).

³ £62,958 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2016 Performance Share Plan. This value reflects the proportion of the performance period for which Jeremy Suddards was an Executive Director. See page 60 for further information. The value of these awards has been updated to reflect the share price on date of vesting being £6.73 on (4 May 2021).

⁴ 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).

⁵ £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.

⁶ £601,607 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2006 Performance Share Plan.

⁷ £852,241 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2006 Performance Share Plan.

⁸ £852,241 of this amount relates to the vesting, in terms of performance, of awards under the Group's 2006 Performance Share Plan.

⁹ Martyn Ratcliffe was Executive Chairman in 2016 until his retirement on 4 March 2016.

¹⁰ 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 2021 and their families in the ordinary shares of the Company as at 31 December 2021 (or, if earlier, the date of their retirement from the Board) were as follows:

	Ordinary shares at 31 December 2021 (or, if later, the date of appointment to the Board)	Ordinary shares at 31 December 2020
Ivan Martin	175,000	175,000
Philip Wood	196,875	196,875
Peter Whiting	16,332	16,332
Barbara Moorhouse	–	–
Jeremy Suddards	9,339	–
Sara Dickinson ¹	–	–

¹ Appointed to the Board on 1 October 2021

There have been no changes since 31 December 2021 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 52. Philip Wood has achieved this level of shareholding, and Jeremy Suddards is working towards it.

Directors' Remuneration Report

Directors' interests under Company share plans (audited)

The table below shows the interests of each Director who served during 2021 as at 31 December 2021 in the Company's share plans.

Director	Shares subject to award as at 1 January 2021					Shares subject to awards as at 31 December 2021	Status
	Grant	Granted in 2021	Exercised in 2021	Lapsed in 2021			
Jeremy Suddards	2018 ²	78,909	–	20,989	57,920	–	Exercised
	2019 ²	85,179	–	–	–	85,179	Unvested, subject to performance conditions
	2020 ⁴	69,321	–	–	–	69,321	Unvested, subject to performance conditions
	2021 ⁵	–	57,676	–	–	57,676	Unvested, subject to performance conditions
		233,409	57,676	20,989	57,920	212,176	
Philip Wood	2017 ¹	35,096	–	–	–	35,096	Vested but unexercised
	2018 ²	49,799	–	–	36,553	13,246	Vested but unexercised
	2019 ³	62,606	–	–	–	62,606	Unvested, subject to performance conditions
	2020 ⁴	54,348	–	–	–	54,348	Unvested, subject to performance conditions
	2021 ⁵	–	40,934	–	–	40,934	Unvested, subject to performance conditions
		201,849	40,934	–	36,553	206,230	

1 The awards granted in 2018 are subject to a performance condition described on page 49 of the 2017 Annual Report and Accounts.

2 The awards granted in 2018 are subject to a performance condition described on page 51 of the 2018 Annual Report and Accounts.

3 The awards granted in 2019 are subject to a performance condition described on pages 53 and 54 of the 2019 Annual Report and Accounts. The awards will vest by reference to a performance period ended 31 December 2021.

4 The awards granted in 2020 are subject to a performance condition described on page 57 of the 2020 Annual Report and Accounts.

5 The awards granted in 2021 are subject to a performance condition described on page 64 of 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 2021 were £14,825. After careful consideration the Committee is satisfied that the advice provided by Deloitte LLP is independent. Deloitte LLP also advise the Group on the operation of its share plans, associated tax matters and remuneration disclosure matters.

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

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:

	Total number of votes	% of votes cast
Approval of the Directors' Remuneration Policy		
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 27 April 2021, the Directors' Remuneration Report for the year ended 31 December 2020 was approved by shareholders as follows:

	Total number of votes	% of votes cast
Approval of the Directors' Remuneration Report for the year ended 31 December 2020		
For (including discretionary)	37,892,558	94.10%
Against	2,377,505	5.90%
Total votes cast (excluding withheld votes)	40,270,063	100.00%
Votes withheld	375,378	
Total votes cast (including withheld votes)	40,645,441	

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 14 March 2022 and signed on its behalf by:

Peter Whiting

Chair of the Remuneration Committee

14 March 2022

Independent Auditor's Report

to the members of Aptitude Software Group plc

Opinion

We have audited the financial statements of Aptitude Software Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated Statement of Changes in Shareholders' Equity, Company Statement of Changes in Shareholders' Equity Consolidated and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Summary of our audit approach

Key audit matters	Group <ul style="list-style-type: none">• Revenue recognition• Acquisition accounting
	Parent Company <ul style="list-style-type: none">• None
Materiality	Group <ul style="list-style-type: none">• Overall materiality: £402,000• Performance materiality: £301,000
	Parent Company <ul style="list-style-type: none">• Overall materiality: £150,000• Performance materiality: £112,500
Scope	Our audit procedures (excluding analytical procedures at Group level) covered 99% of revenue, 99% of total assets and 99% of profit before tax.

Key audit matters

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

Revenue recognition

Key audit matter description

The Group discloses the following revenue streams:

- Software related revenue of £36.9m (2020: £30.5m)
- Services related revenue of £22.4m (2020: £26.8m)

The Group's key revenue recognition policies are set out on pages 89 to 93 to the financial statements and the critical accounting judgements and estimates relating to revenue recognition are set out on pages 103 to 107.

Given the level of judgement and estimates involved in revenue recognition, we have identified this as a potential fraud risk area and a key audit matter.

Software related revenue

For software related revenue we have identified revenue recognition on new contracts signed in the year, along with those with manual IFRS 15 adjustments at the year-end to be a significant risk of fraud.

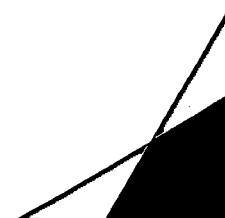
Management have made the assessment that there is no "primary and dominant" component of the licence and maintenance contracts and therefore the software related revenue should be recognised as a combined performance obligation over time in line with consistent development activity.

The key judgements and estimates in the recognition of software related revenue are:

- Assessment of software-based activity as a single performance obligation;
- Assessment of implementation and solution management services revenue as a separate performance obligation;
- Recognition of revenue over time based on consistent development activity;
- The revenue constraints applied before the go-live date due to uncertain implementation period.

Services related revenue

A significant risk of fraud has been identified in respect of occurrence of services revenue and completeness of the provision recognised for additional time and materials cost of implementation made at year end, which involves significant management estimates of the costs which could be incurred subsequent to the year end to deliver and complete the service to client expectations.



Independent Auditor's Report

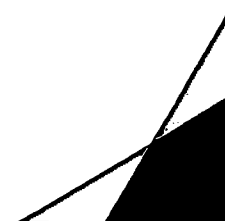
to the members of Aptitude Software Group plc

<p>How the matter was addressed in the audit</p>	<p>Our audit work included but was not restricted to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process and controls around revenue recognition • Reviewing the Group's revenue recognition policy, including supporting accounting papers, to assess whether performance obligations have been appropriately identified and recognised in line with IFRS 15 • Auditing the disclosures in the financial statements and evaluating whether the policy for revenue recognition is appropriately explained and critical judgements and key sources of estimation uncertainty are appropriately disclosed <p>Specifically for software related revenue, our audit work included but was not restricted to:</p> <ul style="list-style-type: none"> • Auditing the IFRS 15 calculations confirming the methodology applied is in line with the Group's revenue recognition policy. • Agreeing inputs to the IFRS 15 calculations to signed customer contracts and re-calculating the expected revenue. • Obtaining invoices for a sample of amounts invoiced and tracing through to bank receipt. • Holding discussions with project managers regarding the key assumptions and judgements made, in particular around the estimated "go-live" date and the likelihood of the contract reaching that point. • Reviewing historic cancelled contracts to assess the appropriateness of limiting revenue recognised to invoiced amounts pre go-live date. • Performing completeness checks by reviewing a list of approved contracts from the contract sales and management system and ensuring revenue has been recognised for all active contracts in the year, in line with the revenue recognition policy. • Obtaining and reviewing "product roadmaps" to support management's assertion that there is a "stand ready" performance obligation. <p>Specifically for services related revenue, our audit work included but was not restricted to:</p> <ul style="list-style-type: none"> • Testing the controls over approval of Statements of Works and timesheet reports prior to billing. • Verifying revenue recognised in the period to Statement of Works, supporting agreements, sales invoices and employee timesheets where applicable. • Testing completeness and accuracy of timesheet data. • Completing cut-off testing around the reporting date.
<p>Key observations</p>	<p>Details of the key judgements and estimates applied in respect of revenue recognition are disclosed in "Critical accounting estimates and judgements section of the Accounting Policies included in the financial statements. Based on the results of the audit procedures outlined above, we have no observations to report.</p>

Acquisition accounting

Key audit matter description	<p>In October 2021 the Group acquired 100% of the share capital of MPP Global Solutions Limited ("MPP"). As described in note 28 to the financial statements, total consideration was £39.1m and the acquisition has resulted in the recognition of goodwill of £22.2m and separately identified intangible assets of £20.3m.</p> <p>The accounting policy for business combinations is described in the "Basis of Consolidation" section on page 89. The fair values assigned to the net assets at the acquisition date as well as the fair values assigned to the separately identifiable intangible assets requires a significant degree of management estimation and judgement and we have therefore identified this as a key audit matter.</p>
How the matter was addressed in the audit	<p>Our audit work included but was not restricted to:</p> <ul style="list-style-type: none"> • Verifying the consideration to the signed sale and purchase agreement and bank statements and other supporting documentation. • Obtaining management's independent valuation of separately identifiable intangibles and engaging with our internal valuations team to review the reasonableness of the valuation methods and assumptions adopted. • Challenging management on the valuation methodologies and assumptions used to value the separately identified intangible assets and checking for consistency of forecast information applied within the IFRS 3 calculations to other areas tested as part of the audit which rely on the same information and assumptions, including going concern work and investment carrying value assessments. • Reviewing areas where there has been a change in accounting policies in MPP to align with the Group policies, including consideration of the completeness of IFRS adjustments made to the MPP results that form part of the Group's results for the year. • Corroborating the transaction costs recognised in the Income Statement in respect of the acquisition and challenging management on the appropriateness of the accounting treatment and presentation of these costs. • Auditing financial statement disclosures in relation to the acquisition.
Key observations	<p>Details of the key judgements and estimates applied in respect of acquisition accounting are disclosed on page 106 to the financial statements. Based on the results of the audit procedures outlined above, we have no observations to report.</p>

No key audit matters were identified in respect of the Parent Company.



Independent Auditor's Report

to the members of Aptitude Software Group plc

Our application of materiality

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

	Group	Parent company
Overall materiality	£402,000	£150,000
Basis for determining overall materiality	5% of profit before tax adjusted to exclude the transaction costs associated with the MPP acquisition as these are considered to be non-recurring.	0.2% of net assets
Rationale for benchmark applied	As a listed entity, profit before taxation is considered the most appropriate benchmark for users of the financial statements.	Net assets is considered to be the most appropriate benchmark for the parent company as it is primarily a holding company.
Performance materiality	£301,000	£112,500
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £20,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £7,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

- United Kingdom
- United States of America
- Canada
- Poland
- Singapore

Full scope audits were performed for 3 components, targeted audit procedures for 3 components and analytical procedures at Group level for the remaining 3 components. The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	3	81%	87%	85%
Targeted audit procedures	3	18%	12%	14%
Analytical procedures at Group level	3	1%	1%	1%
Total	9	100%	100%	100%

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

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

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

Conclusions relating to going concern

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

- Checking the arithmetic accuracy of the forecasts that form the basis of the Directors' going concern assessment and Viability statement
- Corroborating the cash balance that is used as the starting point for the forecasts by confirming to bank confirmations
- Challenging management's forecasts and comparing the 2022 budget to YTD results and order book
- Assessing the assumptions made in management's stress-testing
- Completing further sensitivity analysis and stress-testing
- Auditing the disclosures in the financial statements in respect of going concern and viability

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and

Independent Auditor's Report

to the members of Aptitude Software Group plc

Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and

- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

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

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

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

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

Corporate governance statement

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

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

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 21 to 24;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 21 to 22;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 24;
- Directors' statement on fair, balanced and understandable set out on page 18;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 22;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 42; and,
- Section describing the work of the audit committee set out on pages 38 to 41.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 17 to 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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



Independent Auditor's Report

to the members of Aptitude Software Group plc

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted IAS and Companies Act 2006	<ul style="list-style-type: none"> • Review of the financial statement disclosures and testing to supporting documentation; • Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	<ul style="list-style-type: none"> • Inspection of advice received from internal / external tax advisors; • Involvement of a tax specialist in the audit of tax; • Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

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

Risk	Audit procedures performed by the audit engagement team included:
Revenue recognition	The audit procedures performed in relation to revenue recognition are documented in the key audit matter section of our audit report.
Acquisition accounting	The audit procedures performed in relation to acquisition accounting are documented in the key audit matter section of our audit report.
Treatment of development costs	<ul style="list-style-type: none"> • Reviewing management's paper considering the application of IAS 38 and the treatment used by the Group; • Reviewing project roadmaps, meeting minutes and RNS announcements for any projects which may indicate amounts should have been capitalised during the period; • Interviewing relevant personnel to understand the nature of development activities undertaken during the year and challenging management on the justification for non-capitalisation.
Management override of controls	<ul style="list-style-type: none"> • Testing the appropriateness of journal entries and other adjustments; • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Other matters which we are required to address

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

The period of total uninterrupted consecutive appointments is 1 year, covering the year ended 31 December 2021.

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

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

Use of our report

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

RSM UK Audit LLP

Graham Ricketts (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

United Kingdom

EC4A 4AB

Date: 14 March 2022

Consolidated Income Statement

for the year ended 31 December 2021

	Note	Year ended 31 Dec 2021			Year ended 31 Dec 2020		
		Before non- underlying items	Non- underlying items	Total	Before non- underlying items	Non- underlying items	Total
		£000	£000	£000	£000	£000	£000
Revenue	1,2	59,330	—	59,330	57,266	—	57,266
Operating costs	3	(49,430)	(3,439)	(52,869)	(48,155)	(964)	(49,119)
Operating profit	3	<u>9,900</u>	<u>(3,439)</u>	<u>6,461</u>	<u>9,111</u>	<u>(964)</u>	<u>8,147</u>
 Finance income	5	 6	 —	 6	 61	 —	 61
Finance costs	5	<u>(238)</u>	<u>—</u>	<u>(238)</u>	<u>(100)</u>	<u>—</u>	<u>(100)</u>
Net finance costs		<u>(232)</u>	<u>—</u>	<u>(232)</u>	<u>(39)</u>	<u>—</u>	<u>(39)</u>
 Profit before income tax		 9,668	 (3,439)	 6,229	 9,072	 (964)	 8,108
Income tax expense	6	<u>(1,634)</u>	<u>479</u>	<u>(1,155)</u>	<u>(1,585)</u>	<u>514</u>	<u>(1,071)</u>
Profit for the year		<u><u>8,034</u></u>	<u><u>(2,960)</u></u>	<u><u>5,074</u></u>	<u><u>7,487</u></u>	<u><u>(450)</u></u>	<u><u>7,037</u></u>
 Earnings per share							
Basic	7			9.0p			12.5p
Diluted	7			8.9p			12.3p

The accounting policies and notes on pages 88 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

		Group Year ended 31 Dec 2021	Group Year ended 31 Dec 2020
	Note	£000	£000
Profit for the year		5,074	7,037
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss:			
Fair value (loss)/gain on hedged financial instruments	25	(222)	45
Currency translation difference		(225)	(988)
Other comprehensive expense for the year, net of tax		(447)	(943)
Total comprehensive income for the year		4,627	6,094

The accounting policies and notes on pages 88 to 137 are an integral part of these consolidated financial statements.

Balance Sheets

for the year ended 31 December 2021

	Note	Group As at 31 Dec 2021 £000	Group As at 31 Dec 2020 £000	Company As at 31 Dec 2021 £000	Company As at 31 Dec 2020 £000
ASSETS					
Non-current assets					
Property, plant and equipment including right-of-use assets	9	4,261	2,394	13	36
Goodwill	10	46,006	23,787	—	—
Intangible assets	11	24,502	5,640	—	—
Investments in subsidiaries	12	—	—	67,838	28,176
Other long-term assets	13	1,354	1,472	—	—
Income tax assets	14	—	642	—	250
Deferred tax assets	15	115	448	147	67
		76,238	34,383	67,998	28,529
Current assets					
Trade and other receivables	16	10,775	7,782	295	218
Financial assets – derivative financial instruments	17	—	62	—	—
Current income tax assets	14	1,168	1,161	500	500
Cash and cash equivalents	18	29,064	44,822	19,498	37,347
		41,007	53,827	20,293	38,065
Total assets		117,245	88,210	88,291	66,594
LIABILITIES					
Current liabilities					
Financial liabilities					
– borrowings	19	(313)	—	(313)	—
– derivative financial instruments	17	(293)	(133)	(29)	—
Trade and other payables	20	(40,284)	(33,652)	(14,379)	(2,446)
Capital lease obligations	21	(273)	(881)	—	—
Current income tax liabilities		(353)	(247)	—	—
		(41,516)	(34,913)	(14,721)	(2,446)
Net current (liabilities)/assets		(509)	18,914	5,572	35,619
Non-current liabilities					
Financial liabilities – borrowings	19	(9,573)	—	(9,573)	—
Capital lease obligations	21	(2,777)	(972)	—	—
Provisions	22	(379)	(441)	—	—
Deferred tax liabilities	15	(5,811)	(1,236)	—	—
		(18,540)	(2,649)	(9,573)	—
NET ASSETS		57,189	50,648	63,997	64,148
SHAREHOLDERS' EQUITY					
Share capital	23	4,194	4,143	4,194	4,143
Share premium account	24	11,946	7,828	11,946	7,828
Capital redemption reserve		12,372	12,372	12,372	12,372
Other reserves	25	33,902	34,124	17,369	17,398
(Accumulated losses)/retained earnings	26	(3,346)	(6,165)	18,116	22,407
Foreign currency translation reserve		(1,879)	(1,654)	—	—
TOTAL EQUITY		57,189	50,648	63,997	64,148

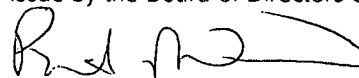
The accounting policies and notes on pages 88 to 137 are an integral part of these consolidated financial statements.

In addition, under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. The loss for the year of the Company was £1,918,000 (2020: profit for the year £12,610,000), see note 26 for details.

The financial statements on pages 82 to 137 were authorised for issue by the Board of Directors on 14 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 2021

Group	Note	Attributable to owners of the Parent					Other reserves £000	Total equity £000
		Share capital £000	Share premium account £000	(Accumulated losses)/ retained earnings £000	Foreign currency translation reserve £000	Capital redemption reserve £000		
Balance at 1 January 2020		4,128	7,660	(11,149)	(666)	12,372	34,079	46,424
Profit for the year	26	—	—	7,037	—	—	—	7,037
Cash flow hedges								
– net fair value gains in the year	25	—	—	—	—	—	45	45
Currency translation difference		—	—	—	(988)	—	—	(988)
Total comprehensive income for the year		—	—	7,037	(988)	—	45	6,094
Transactions with owners in their capacity as owners								
Shares issued under share option schemes	23-24	15	168	—	—	—	—	183
Share options – value of employee service	26	—	—	337	—	—	—	337
Deferred tax on financial instruments	15	—	—	9	—	—	—	9
Deferred tax on share options	15	—	—	(118)	—	—	—	(118)
Corporation tax on share options	26	—	—	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
Profit for the year	26	—	—	5,074	—	—	—	5,074
Cash flow hedges								
– net fair value losses in the year	25	—	—	—	—	—	(222)	(222)
Currency translation difference		—	—	—	(225)	—	—	(225)
Total comprehensive income for the year		—	—	5,074	(225)	—	(222)	4,627
Transactions with owners in their capacity as owners								
Shares issued under share option schemes	23-24	15	953	—	—	—	—	968
Share consideration on acquisition	23-24	36	3,165	—	—	—	—	3,201
Share options – value of employee service	26	—	—	612	—	—	—	612
Deferred tax on share options	15	—	—	190	—	—	—	190
Dividends to equity holders of the company	8	—	—	(3,057)	—	—	—	(3,057)
Total Contributions by and distributions to owners of the company recognised directly in equity		51	4,118	(2,255)	—	—	—	1,914
Balance at 31 December 2021		4,194	11,946	(3,346)	(1,879)	12,372	33,902	57,189

The accounting policies and notes on pages 88 to 137 are an integral part of these consolidated financial statements.

Company Statement of Changes in Shareholders' Equity

for the year ended 31 December 2021

Attributable to owners of the Company

		Share capital £000	Share premium account £000	Retained earnings £000	Capital redemption reserve £000	Other reserves £000	Total equity £000
Company							
Balance at 1 January 2020		4,128	7,660	12,473	12,372	17,398	54,031
Profit for the year	26	—	—	12,610	—	—	12,610
Total comprehensive income for the year		—	—	12,610	—	—	12,610
Transactions with owners in their capacity as owners							
Shares issued under share option schemes	23-24	15	168	—	—	—	183
Share options – value of employee service	26	—	—	337	—	—	337
Deferred tax on share options	15	—	—	(13)	—	—	(13)
Corporation tax on share options	26	—	—	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
Loss for the year	26	—	—	(1,918)	—	—	(1,918)
Cash flow hedges							
– net fair value losses in the year	25	—	—	—	—	(29)	(29)
Total comprehensive expense for the year		—	—	(1,918)	—	(29)	(1,947)
Transactions with owners in their capacity as owners							
Shares issued under share option schemes	23-24	15	953	—	—	—	968
Share consideration on acquisition	23-24	36	3,165	—	—	—	3,201
Share options – value of employee service	26	—	—	612	—	—	612
Deferred tax on share options	15	—	—	72	—	—	72
Dividends to equity holders of the company	8	—	—	(3,057)	—	—	(3,057)
Total Contributions by and distributions to owners of the company recognised directly in equity		51	4,118	(2,373)	—	—	1,796
Balance at 31 December 2021		4,194	11,946	18,116	12,372	17,369	63,997

The accounting policies and notes on pages 88 to 137 are an integral part of these consolidated financial statements.

Statements of Cash Flow

for the year ended 31 December 2021

	Note	Group Year ended 31 Dec 2021 £000	Group Year ended 31 Dec 2020 £000	Company Year ended 31 Dec 2021 £000	Company Year ended 31 Dec 2020 £000
Cash flows from operating activities					
Cash generated from/(used in) operations	27	11,890	16,238	(1,501)	(2,710)
Interest paid		(238)	(100)	(95)	—
Income tax received		262	281	—	113
Net cash flows generated from/(used in) operating activities		11,914	16,419	(1,596)	(2,597)
Cash flows from investing activities					
Dividend received		—	—	—	16,006
Purchase of property, plant and equipment, excluding right-of-use assets	9	(1,232)	(232)	(1)	(18)
Acquisition of subsidiary, net of cash acquired	28	(33,112)	—	(35,426)	—
Interest received		6	61	6	21
Net cash (used in)/generated from investing activities		(34,338)	(171)	(35,421)	16,009
Cash flows from financing activities					
Net proceeds from issuance of ordinary shares	24	968	183	968	183
Dividends paid to company's shareholders	8	(3,057)	(3,044)	(3,057)	(3,044)
Repayment of capital lease obligations	21	(756)	(924)	—	—
Drawdown of loan, net of arrangement fee	19	9,880	—	9,880	—
Net amounts received/(borrowed) from group undertakings	20	—	—	11,377	(1,577)
Net cash generated from/(used in) financing activities		7,035	(3,785)	19,168	(4,438)
Net (decrease)/increase in cash and cash equivalents		(15,389)	12,463	(17,849)	8,974
Cash, cash equivalents and bank overdrafts at beginning of year	18	44,822	32,965	37,347	28,373
Exchange rate losses on cash and cash equivalents		(369)	(606)	—	—
Cash and cash equivalents at end of year	18	29,064	44,822	19,498	37,347

The accounting policies and notes on pages 88 to 137 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 14 March 2022.

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 and parent company financial statements of Aptitude Software Group plc have been prepared in accordance with UK adopted international accounting standards and company law. The consolidated and parent company 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 change in the basis of preparation from 2020 is required by UK Company Law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy, rather a change in framework which is required to group the use of IFRS in company law. There is no impact on the recognition, measurement or disclosure between the two frameworks in the period reported.

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 103 to 107.

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

Going Concern

After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Although the Group is operating in a net current liability position at the balance sheet date the Group retains significant cash balances benefiting from its annual licence and subscription model in which the overwhelming majority of its customers pay annually in advance. 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 2023 which show that the Group will have sufficient cash to operate and meet their operating liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements. Information used to make this decision is detailed below.

A scenario testing exercise was performed for the period covered by the going concern forecast, including considering management's base case forecast and an extreme downside scenario where no new customers were won, which is far more pessimistic than current situations may suggest. In all scenarios Aptitude Software remains comfortably profitable and cash generative in the years under review. Financial performance in 2022 is not expected to be materially impacted from current year levels due to the long-range revenue visibility achieved through the recurring revenue business model. These recurring revenues, representing over 60% of total revenue, are resilient given the nature of the Group's enterprise applications which are typically heavily integrated and central to clients' mission-critical long-term financial reporting and subscription management processes, underpinned by minimum contractual terms of up to six years at inception.

The Directors are reassured that the Group is financially robust benefitting from a cash balance at 31 December 2021 of £29.1 million and net funds of £15.3 million. Additionally, the Group is cash generative and profitable, reporting Adjusted Operating Profit in the year of £9.9 million. See page 2 for definitions of how these metrics are calculated.

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 and Subscription Model in which the majority of software licence and subscription fees are received annually in advance.

Changes in Accounting policy and disclosures

(a) New standards, interpretations and amendments effective from 1 January 2021

The Group has applied the following new standards, amendments and interpretations for the first time for their annual reporting period commencing 1 January 2021: Covid-19 Related Rent Concessions - amendments to IFRS 16, and Interest Rate Benchmark Reform - Phase 2 - amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The adoption of these standards did not have a material impact on the Group's consolidated financial statements.

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

None of the new standards, amendments and interpretations, which are effective for periods beginning after 1 January 2022 and which have not been adopted early, are expected to have a significant effect on the consolidated financial statements of the Group.

Basis of consolidation

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

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

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

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

Revenue recognition

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

The Group derives its revenues from the following categories:-

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

Notes to the Consolidated Financial Statements

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.

On assessment of the client contracts included as part of the acquisition of the MPP Global business, it was determined that the method and approach to recognising revenue will align with that of the core Aptitude Software business.

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 including those acquired within the MPP Global business, it is determined that the software licence/subscription and maintenance fees form part of a combined performance obligation. The transaction price agreed in the licence and maintenance contract is therefore allocated in full to this combined performance obligation with the selling price determined by way of the fixed annual licence or subscription fees paid annually in advance.

How the combined performance obligation is recognised

Where the software licence, subscription and maintenance fees meet the criteria of a combined performance obligation, the Group determines for each contract the most appropriate method of recognising revenue. This assessment was completed with reference to paragraph 35 of IFRS 15, in which it was determined that the criteria within Paragraph 35(a) had been met in respect of recognising the combined performance obligation over time including those contracts within the acquired MPP Global business. 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 including those eSuite contracts within the acquired MPP Global business. 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, including MPP Global contracts, were considered to have a consistent development activity based on management's assessment of the overall development hours expected to be incurred across the optimisation period. This assessment was supported by the review against actual hours incurred at the end of each reporting period.

Revenue recognition constraint

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

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

For eSuite contracts acquired on acquisition of MPP Global, it was determined that the same levels of contractual risk exist for the period prior to the successful integration of the eSuite application and consequently the same ongoing assessment is performed by management to determine if challenges exist that would cast doubt over future economic benefits being realised by the business. Where such challenges exist, the same method is applied whereby 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.

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, an approach also adopted within the acquired MPP Global business. 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.

Notes to the Consolidated Financial Statements

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, including MPP Global contracts, entering their auto renewal period post optimisation period still represent a combined performance obligation.

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

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

Product specific consultancy (implementation services)

Consultancy services which relate to a project which includes the Group's software is contracted for on either a time and materials basis or fixed priced basis and, in all cases including the MPP Global contracts, 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, including the acquired eSuite product, an assessment is made by management at the year-end of the expected amount of any additional consultancy effort to be provided to satisfy certain contractual obligations without incremental charge. Where such effort is anticipated, an accompanying deferral is calculated based on the value of this time if charged to the client and is recognised through the deferral of revenues.

Financial transactions and usage fees

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

Solution management services

Solution management services go beyond the Group's software maintenance services to include services typically performed by the clients' own IT teams, including for example, the monitoring of system performance, user administration and release management. The client will commit to a monthly, quarterly or annual fee that covers an agreed level of

services. Revenues 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 or subscribed 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. Revenues from support contracts are recognised as the fees are earned.

Funded development

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

Commissions

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

Segmental reporting

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

The primary segmental reporting is by operating segment, the Group operates only one segment, this being the Aptitude 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 costs of acquiring a Group subsidiary, post acquisition restructuring costs and the amortisation of acquired intangibles.

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

Property, plant and equipment is shown at historic purchase cost less accumulated depreciation and adjusted for any impairment. Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term, full details of the initial recognition and ongoing measurement of these assets is provided within the leasing policy note on page 96. Land is not depreciated. Costs include expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

Notes to the Consolidated Financial Statements

Goodwill

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

Intangible assets

Research and Development ("R&D")

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

In assessing the IAS 38 criteria it is considered that because of the challenges presented by the complexity of underlying software development issues and the competitive nature of the markets in which we operate, the technical feasibility and future satisfaction of the development criteria has only been met 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") are recognised only on acquisition. The fair value is derived based on time spent on the project at an average daily cost rate in respect of the Revstream application. For the eSuite application acquired as part of the MPP Global acquisition in the year, the fair value was derived based on the excess earnings method. The carrying value is stated at fair value at acquisition less accumulated amortisation and impairment losses. The useful economic life is assessed on an individual basis. Amortisation is charged on a straight line basis over the estimated useful economic life of the assets.

Customer relationships

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

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

Interest income and expense

Interest is recognised using the effective interest method.

Impairment of non-financial assets

Assets that have an indefinite useful economic life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets

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

Investments

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

Cash and cash equivalents

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

Share-based payments

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

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

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

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

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

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

Foreign currency

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

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Pensions

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

Tax incentive schemes

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

Current and deferred income tax

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

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or 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 and other 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 unless it has been made aware at the time of adoption. If subsequently the lessor decides to exercise any of these options, the lease liability is then remeasured due to the change in future lease payments.

When the lease liability is remeasured in the above circumstances, a corresponding adjustment is made to the carrying value of the right-of-use asset, or is recorded in the profit or loss if the carrying value of the right-of-use asset has been reduced to zero.

Where the Group has a legal obligation for future expenditure in relation to onerous lease properties which are either vacant or being sublet, the right-of-use asset is adjusted by the present value of management's best estimate of the expenditure required to settle the present obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the lease agreement.

The Group presents right-of-use assets within "property, plant and equipment" and lease liabilities in "capital lease obligations".

Short term lease and leases of low-value assets

The Group has elected to take the exemption not to recognise right-of-use assets and lease liabilities, for short-term lease of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group defines leases

Notes to the Consolidated Financial Statements

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 other comprehensive income. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in other comprehensive income are transferred to the income statement in the same period as the underlying income or expenditure is recognised. The ineffective portions of the gain or loss on the hedging instrument are not recognised in other comprehensive income, rather they are recognised immediately in profit or loss.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under IFRS 9, any change in assets or liabilities is recognised immediately in the income statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecasted transaction is ultimately recognised in the income statement.

FINANCIAL RISK MANAGEMENT

The Group's trading, multi-national operations and debt financing expose it to financial risks that include the effects of changes in foreign currency exchange rates, credit risk, liquidity and interest rates.

The Group manages these risks so as to limit any adverse effects on the financial performance of the Group.

(a) Market risk – Foreign exchange

The Group's major foreign exchange exposures are to the Polish Zloty, US Dollar, Canadian Dollar and Singapore Dollar. Group policy in this area is to eliminate foreign currency cash flows between Group companies once the size and timing of transactions can be predicted with sufficient certainty. This has been achieved by hedging Polish Zloty cash outflows 12 months in advance by using forward foreign currency contracts. These have the effect of fixing the sterling amount of Polish Zlotys to be paid in the future. The average remaining life of the forward exchange contracts at 31 December 2021 was 6 months (2020: 6 months).

In the prior year, 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 had 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. A detailed forecasting exercise was completed at the start of the period which found that the Group had minimal levels of exposure in 2021 and so no forward contracts were put in place. Management continue to review this exposure and, should it become material, will look to review their hedging policy in this area. The average remaining life of the forward contracts at 31 December 2020 was 5 months.

Given the above policy, the table below approximates the impact on the Group's profit before tax of a 5% exchange rate movement (strengthening of sterling against the specified currency) of the Group's major non sterling trading currencies during the year.

	2021 £000	2020 £000
Group		
Polish Zloty	53	57
US Dollar	91	74
Canadian Dollar	17	25
Singapore Dollar	63	67
	<u>224</u>	<u>223</u>

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.

	2021 £000	2020 £000
Group		
Polish Zloty	42	53
US Dollar	(411)	(406)
Canadian Dollar	(4)	(5)
Singapore Dollar	5	20
	<u>(368)</u>	<u>(338)</u>

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 profit.

In respect of the Company, given all transactions are denominated in sterling there would be no impact on either the profit before tax or financial assets and liabilities of a movement in exchange rates.

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(b) Market risk – Interest rate

The Group's major interest rate exposures during the year arose from both interest payable on borrowings and interest earned on its cash balances.

In respect of interest payable on borrowings, it is the Group's policy to enter into an interest rate swap so that there is no change in interest payable pursuant to changes in interest rates. The fixed interest rate payable on the Group's credit facility is 2.95%.

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 an increase of 100 basis points in interest rates during the year.

	2021 £000	2020 £000
Increase in interest receivable on cash balances	402	331

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 2021 Balance £000	31 December 2020 Balance £000
Bank A	Aa3	14,952	19,445
Bank B	Aa3	8,051	11,268
Bank C	Aa3	4,542	8,390
		27,545	39,103
Customer A	Aa3	1,382	621
Customer B	A2	814	618
Customer C	Baa3	696	549
		2,892	1,788

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 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the 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 2021 for the Group was calculated as follows (2020: nil):

Group	Not past due £000	Less than one month overdue £000	One to two months overdue £000	Two to three months overdue £000	More than three months overdue £000	Total £000
Expected loss rate	1%	5%	10%	15%	20%	
Net carrying amount – trade receivables**	216	27	2	2	2	249
Amounts subject to loss allowance	216	27	2	2	2	249
Specific loss allowance	–	–	–	–	16	16
Loss allowance	2	1	–	1	1	5
Total	2	1	–	1	17	21

** Net carrying amount excludes the value of annual licence fees, amounts covered by credit insurance and any specific loss allowance.

The loss allowance for the Company was calculated as being nil (2020: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	After 5 years £000
At 31 December 2021				
Borrowings	734	1,643	9,339	–
Capital lease obligations	617	690	1,620	1,632
Derivative financial instruments	293	–	–	–
Trade and other payables	39,269	–	–	–
	40,913	2,333	10,959	1,632

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	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	After 5 years £000
At 31 December 2020				
Capital lease obligations	908	1,084	—	—
Derivative financial instruments	133	—	—	—
Trade and other payables	31,632	—	—	—
	<u>32,673</u>	<u>1,084</u>	<u>—</u>	<u>—</u>
	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	
Company				
At 31 December 2021				
Borrowings	734	1,643	9,339	
Trade and other payables	14,350	—	—	
	<u>15,084</u>	<u>1,643</u>	<u>9,339</u>	
	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	—	—	
	<u>2,446</u>	<u>—</u>	<u>—</u>	

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into the relevant maturity groups based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2021			
Forward foreign exchange contracts			
– cash flow hedges			
Outflow	(8,865)	—	—
Inflow	8,601	—	—
Interest rate swap			
– cash flow hedges			
Outflow	(422)	(393)	(902)
Inflow	493	457	1,034
	<u>(193)</u>	<u>64</u>	<u>132</u>
	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000
At 31 December 2020			
Forward foreign exchange contracts			
– cash flow hedges			
Outflow	(6,265)	—	—
Inflow	6,249	—	—
	<u>(16)</u>	<u>—</u>	<u>—</u>

Fair value estimation

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings, however, due to their short term nature and ability to be liquidated at short notice their carrying value approximates their fair value.

Financial instruments measured at fair value

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

	Level 2	
	2021 £'000	2020 £'000
Financial Assets		
Derivative financial assets (designated hedge instruments)	—	62
	—	62
Financial Liabilities		
Derivative financial liabilities (designated hedge instruments)	293	133
	293	133

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 2021.

Our general funding policy is to raise long term debt when required to meet the anticipated requirements of the Group. Details of the Groups existing loan facility is provided in note 19 to the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting judgments

(a) Recognition of revenue

The policy for the recognition of software licences, maintenance and subscription fees is detailed on pages 89 to 93.

Assessment of performance obligations

For Annual Licence and Subscription Fees, the Group determines for each contract whether ongoing contractual software maintenance 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

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a separate, distinct performance obligation on the basis that contractually the customer could choose to purchase the services elsewhere without significantly affecting the promises included in the licence and maintenance agreement.

How the combined performance obligation should be recognised

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

Revenue recognition constraint

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

Product specific consultancy deferral

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

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The 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 whether the recognition criteria for capitalising development costs is met. The accounting policy for research and product development is detailed on page 94 and in the current year there are no development expenses that have been capitalised (2020: nil). The total product management, research and development expenditure in the period is £10.6 million (2020: £8.5 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 2021, the deferred income balance of £31.0 million (2020: £25.7 million) and accrued income balance £0.5 million (2020: £0.6 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.

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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 2021 the value of these projects totalled £1.0m and have been calculated pursuant to estimates. Sensitivity analysis was performed with management considering the impact of a reasonable proportional movement in the estimated percentage completion and determined that in all cases the impact on the assets and liabilities presented across both periods was not material.

Product specific consultancy deferral

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

(b) Taxation

Income tax

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

Deferred tax assets and liabilities require management judgement in determining the amount to be recognised.

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

USA sales and use tax

The Group continues to review its liability to tax its supplies in a number of states following changes in the interpretation and application of sales tax regulations in the USA. Whilst for the majority of states this review has been concluded, the Group still considers that there is risk, principally within the acquired MPP Global business, that some elements of its supplies in a few remaining states would have been subject to sales tax in previous periods. Consequently, the Group holds a provision totalling £0.3 million (2020: £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 management's estimate of which supplies it believes are captured by the regulation, which clients we have a risk of non-recoverability from and over what historic period this provision should be held against.

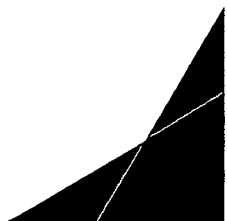
Sensitivity analysis was performed with management considering the impact of a reasonable proportional movement in the estimates applied and determined that in all cases the impact on the assets and liabilities presented across both periods was not material.

(c) Intangibles valuation on acquisition

During the year the Group completed the acquisition of MPP Global which included the generation of intangible assets whose value has been calculated pursuant to estimates. In respect of the customer relationship and software IPR intangibles recognised, the key estimates underpinning the valuation methodology were:

- Forecast attrition rate applied within the customer base
- Profitability profiles of new and existing customers
- Level of capital expenditure and working capital requirement within the business
- Annual obsolescence rate

- Contributory asset charges for each class of asset
- Forecast revenue and profit profile for the business
- Useful economic life



Notes to the Consolidated Financial Statements

1. Segmental Information

Business segments

The Board has determined the operating segments based on the reports it receives from management to make strategic decisions.

The only business segment for both periods was Aptitude Software and therefore no segmental analysis is provided for this period.

The principal activity of the Group throughout 2020 and 2021 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 2021 £000	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
United Kingdom	32,265	32,096	11,353	9,571	4,134	5,954
Rest of World	27,065	25,170	47,977	47,695	2,095	2,154
	<u>59,330</u>	<u>57,266</u>	<u>59,330</u>	<u>57,266</u>	<u>6,229</u>	<u>8,108</u>

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 2021 £000	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
United Kingdom	62,045	16,744	843	87
Rest of World	14,927	16,549	389	145
	<u>76,972</u>	<u>33,293</u>	<u>1,232</u>	<u>232</u>

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:

	Software related revenue			Services related revenue			Total £000
	United Kingdom £000	Rest of World £000	Total £000	United Kingdom £000	Rest of World £000	Total £000	
Year ended 31 Dec 21							
Revenue from external customers	7,888	29,007	36,895	3,465	18,970	22,435	59,330
	Software related revenue			Services related revenue			Total £000
	United Kingdom £000	Rest of World £000	Total £000	United Kingdom £000	Rest of World £000	Total £000	
Year ended 31 Dec 20							
Revenue from external customers	5,684	24,791	30,475	3,887	22,904	26,791	57,266

All of the revenue displayed in the above table is recognised over time in line with the Group's accounting policy detailed on pages 89 to 93 and has been generated from contracts with customers.

For software related revenue, the Group receives payment for its licence and maintenance 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.

During both periods presented the Group had no customers whose revenue represented an amount equal to or exceeding 10% of total revenue.

(b) Assets and liabilities related to contracts with customers

The Group has recognised assets and liabilities relating to contracts with customers. These amounts are classified as accrued and deferred income respectively for the purposes of this report and are displayed within notes 16 and 20.

(i) Significant movements in accrued and deferred income

Accrued income has reduced against the prior year to £523,000 at 31 December 2021 (31 December 2020: £611,000) 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 £5,208,000 to £30,911,000 at 31 December 2021, of which £465,000 is in respect of the acquired MPP Global business. The remaining movement is due to the growth in software related revenue during the year which has caused an uplift in the value of Annual Licence and subscription fee invoices issued during 2021 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:

	Group Year ended 31 Dec 2021 £000	Group Year ended 31 Dec 2020 £000
Revenue recognised that was included in the deferred income balance at 31 December of the previous period	23,504	21,356

Notes to the Consolidated Financial Statements

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 fixed price long term software and services contracts which is yet to be recognised in the income statement due to the relevant contractual performance obligations not being satisfied before the year end. These amounts are set to be recognised in the Group's income statement across the period 1 January 2022 to 31 December 2027 on a contract by contract basis as and when the performance obligations are met.

Group

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Greater than 5 years £000	Total £000
At 31 December 2021					
Aggregate amount of future contracted revenue in relation to long-term software contracts that is not recognised in the income statement as at 31 December	37,425	23,187	26,049	599	87,260

Group

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Greater than 5 years £000	Total £000
At 31 December 2020					
Aggregate amount of future contracted revenue in relation to long-term software contracts that is not recognised in the income statement as at 31 December	33,969	22,062	28,512	945	85,488

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 2021 £000	Group As at 31 Dec 2020 £000
Asset recognised from costs incurred to fulfil a contract at 31 December	1,354	1,472
Amortisation recognised as cost of providing services during the year from continuing operations	638	723

3 Operating profit

The following items are included in operating costs:

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Employee benefit expense (note 4)	35,412	34,326
Depreciation (note 9)	1,179	1,573
Other operating costs	12,839	12,256
	49,430	48,155
Non-underlying operating costs:		
Amortisation of intangibles (note 11)	1,418	846
Acquisition and associated reorganisation costs	2,021	118
	3,439	964
	52,869	49,119

3 Operating profit (continued)

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Net foreign exchange gains/(losses)	345	(42)
Research and development costs	10,593	8,494
Depreciation of property, plant and equipment	1,179	1,573
Repairs and maintenance expenditure on property, plant and equipment	234	187
Low value or short term lease rental expense	14	–
	14	–

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

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Fees payable to Company's auditors for the audit of the Parent Company and consolidated financial statements	135	93
Fees payable to the Company's auditors and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	75	43
– audit of acquisition accounting	25	–
– audit related assurance service	–	24
	235	160

A description of the work of the Audit Committee is included in the corporate governance statement on pages 36 to 44 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors. During both periods, the Group's auditors carried out audit related assurance services in respect of the interim financial statements and other general assurance services.

On 17 September 2021, the Group appointed RSM UK Audit LLP as its new external auditor replacing Grant Thornton UK LLP. During 2020, Grant Thornton UK LLP carried out all work in respect of the audit of both the Group and its subsidiaries.

Notes to the Consolidated Financial Statements

4 Employees and directors

	Group Year ended 31 Dec 2021 £000	Group Year ended 31 Dec 2020 £000	Company Year ended 31 Dec 2021 £000	Company Year ended 31 Dec 2020 £000
Employee benefit expense during the year				
Wages and salaries	31,113	30,416	972	905
Social security costs	2,741	2,643	128	115
Other pension costs	946	930	26	31
Share based payment costs on share options	612	337	5	104
	35,412	34,326	1,131	1,155

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

	Group Year ended 31 Dec 2021 Number	Group Year ended 31 Dec 2020 Number	Company Year ended 31 Dec 2021 Number	Company Year ended 31 Dec 2020 Number
By location:				
United Kingdom	124	110	8	8
Rest of World	262	231	—	—
	386	341	8	8

Group headcount at 31 December 2021 was 476 (2020: 332).

Key management compensation:

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Short-term employee benefits	2,496	1,717
Post employment benefits	86	62
Share based payment costs on share options	264	179
	2,846	1,958

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

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Directors		
Short-term employee benefits	1,129	858
Post employment benefits	30	31
Share based payment costs on share options	70	78
	1,229	967

Average monthly number of Directors and senior executives were 11 (2020: 9). The key management figures given above include the Directors of Aptitude Software Group plc.

The information on Directors' remuneration required by the Companies Act and the Listing Rules of the Financial Conduct Authority is contained in the Directors' Remuneration Report on pages 50 to 71. Amounts displayed throughout the tables above exclude the impact of long term incentive awards and deferred bonus plan awards which have either been exercised in the year or have vested but are yet to be exercised.

5 Net finance cost

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Finance income		
Interest on bank deposits	6	61
	<u>6</u>	<u>61</u>
Finance cost		
Interest payable on bank borrowings	(89)	—
Interest payable on capital lease obligations	(143)	(100)
Amortisation of loan arrangement fee	(6)	—
	<u>(238)</u>	<u>(100)</u>
Net finance cost	<u>(232)</u>	<u>(39)</u>

6 Income tax expense

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Analysis of charge in the year		
Current tax:		
– tax charge on underlying items	(1,005)	(1,114)
– tax credit on non-underlying items	—	22
– adjustment to tax in respect of prior periods on underlying items	(256)	132
– adjustment to tax in respect of prior periods on non-underlying items	134	255
Total current tax	<u>(1,127)</u>	<u>(705)</u>
Deferred tax (note 15):		
– tax charge on underlying items	(354)	(274)
– tax credit on non-underlying items	346	237
– adjustment to tax in respect of prior periods on underlying items	(20)	(329)
Total deferred tax	<u>(28)</u>	<u>(366)</u>
Income tax expense	<u>(1,155)</u>	<u>(1,071)</u>

The adjustment to tax in respect of prior periods on non-underlying items in totalling £134,000 (2020: £255,000) has been created through the benefit from additional research and development relief in Poland. The net adjustment to tax in respect of prior periods on underlying items totalling £276,000 (2020: £197,000) relates to the reduction in the assumed benefit from research and development relief in the UK.

UK corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

UK corporation tax rates substantively enacted as part of the March 2021 Bill included an increase of the rate to 25% from 1 April 2023 with a retention of the current rate of 19% for years starting April 2020 to April 2022.

Notes to the Consolidated Financial Statements

6 Income tax expense (continued)

The tax for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Profit before tax	6,229	8,108
Tax at the UK corporation tax rate of 19% (2020: 19%)	(1,184)	(1,540)
Effects of:		
Adjustment to tax in respect of prior periods	(142)	58
Adjustment in respect of foreign tax rates	(35)	(138)
Expenses not deductible for tax purposes	(12)	(27)
Non-underlying expenses not deductible for tax purposes	(384)	—
Other	105	(29)
Research and development tax relief	408	618
Recognition of tax losses not recognised as a deferred tax asset	160	—
Tax losses not recognised as a deferred tax asset	(84)	—
Change in future tax rates	13	(13)
Total taxation	<u>(1,155)</u>	<u>(1,071)</u>

The total tax charge of £1,155,000 (2020: £1,071,000) represents 18.54% (2020: 13.21%) of the Group profit before tax of £6,229,000 (2020: £8,108,000). The increase against 2020 levels is due to the disallowable deal costs incurred on the MPP Global acquisition, see note 28 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 £1,652,000 (2020: £1,643,000) represents 17.10% (2020: 18.11%) of the Group's adjusted profit before tax, which is the tax rate used for calculating the adjusted earnings per share.

7 Earnings per share

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

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

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

	Year ended 31 Dec 2021			Year ended 31 Dec 2020		
	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	5,074	56,675	9.0	7,037	56,339	12.5
Effect of dilutive securities:						
– share options	—	432	(0.1)	—	780	(0.2)
Diluted EPS	<u>5,074</u>	<u>57,107</u>	<u>8.9</u>	<u>7,037</u>	<u>57,119</u>	<u>12.3</u>

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 adjusted effective rate of 17.10% (2020: 18.11%).

	Year ended 31 Dec 2021		Year ended 31 Dec 2020	
	Basic EPS pence	Diluted EPS pence	Basic EPS pence	Diluted EPS pence
Earnings per share	9.0	8.9	12.5	12.3
Non-underlying items net of tax	5.2	5.2	0.8	0.8
Prior years' tax charge/(credit)	0.3	0.2	(0.1)	(0.1)
Recognition of tax losses	(0.3)	(0.3)	—	—
Adjusted earnings per share	<u>14.2</u>	<u>14.0</u>	<u>13.2</u>	<u>13.0</u>

	Year ended 31 Dec 2021 £000	Year ended 31 Dec 2020 £000
Profit before tax and non-underlying items	9,668	9,072
Tax charge at a rate of 17.10% (2020: 18.11%)	<u>(1,652)</u>	<u>(1,643)</u>
	8,016	7,429
Adjustment to tax in respect of prior periods	(142)	58
Non-underlying items net of tax	(2,960)	(450)
Recognition of tax losses	160	—
Profit on ordinary activities after tax	<u>5,074</u>	<u>7,037</u>

Notes to the Consolidated Financial Statements

8 Dividends

	2021 pence per share	2020 pence per share	2021 £000	2020 £000
Dividends paid:				
Interim dividend	1.80	1.80	1,019	1,015
Final dividend (prior year)	3.60	3.60	2,038	2,029
	<u>5.40</u>	<u>5.40</u>	<u>3,057</u>	<u>3,044</u>
Proposed but not recognised as a liability:				
Final dividend (current year)	3.60	3.60	2,059	2,031
	<u>3.60</u>	<u>3.60</u>	<u>2,059</u>	<u>2,031</u>

The proposed final dividend was approved by the Board on 14 March 2022 but was not included as a liability as at 31 December 2021, 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 3 June 2022 to shareholders on the register at the close of business on 13 May 2022.

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

	Right-of-use assets £000	Leasehold improvements £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Group					
Cost					
At 1 January 2021	6,547	424	4,942	455	12,368
Additions	2,599	510	623	99	3,831
On acquisition of subsidiary (note 28)	216	—	21	—	237
Disposals	(3,028)	(304)	(868)	(108)	(4,308)
Exchange movements	—	(9)	(179)	(6)	(194)
At 31 December 2021	<u>6,334</u>	<u>621</u>	<u>4,539</u>	<u>440</u>	<u>11,934</u>
Accumulated depreciation					
At 1 January 2021	4,953	379	4,293	349	9,974
Charge for the year (note 3)	604	6	496	73	1,179
Disposals	(2,002)	(304)	(868)	(97)	(3,271)
Exchange movements	—	(4)	(203)	(2)	(209)
At 31 December 2021	<u>3,555</u>	<u>77</u>	<u>3,718</u>	<u>323</u>	<u>7,673</u>
Net book amount					
At 31 December 2021	<u>2,779</u>	<u>544</u>	<u>821</u>	<u>117</u>	<u>4,261</u>

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

	Right-of-use assets £000	Leasehold improvements £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Group					
Cost					
At 1 January 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 (note 3)	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

All the Groups right-of-use assets relate to the capital lease agreements for various office space.

	Plant & machinery £000	Total £000
Company		
Cost		
At 1 January 2021	440	440
Additions	1	1
At 31 December 2021	441	441
Accumulated depreciation		
At 1 January 2021	404	404
Charge for the year	24	24
At 31 December 2021	428	428
Net book amount		
At 31 December 2021	13	13

	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 2020	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

Notes to the Consolidated Financial Statements

10 Goodwill

	31 Dec 2021 £000	31 Dec 2020 £000
Cost		
At 1 January	23,787	23,787
Acquisition of subsidiary (note 28)	22,219	—
At 31 December	46,006	23,787
Net book amount	46,006	23,787

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 2021	46,006	46,006

The acquisition of subsidiary totalling £22.2 million represents the amount of goodwill allocated to the MPP Global business which was acquired on 9 October 2021, see note 28 for details. The value is attributable to the benefits expected to arise from combining the eSuite offering with Aptitude Software's current Aptitude Revenue Management application to enable the Group to provide a new best-of-breed end-to-end subscription management solution.

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

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

For the purposes of performing the goodwill impairment review, the Group have utilised the Board approved plans for the three-year period to 31 December 2024 followed by anticipated growth in operating profit of 10% per annum for the period 2025-2026. 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 2026 are no greater than 2.25% (2020: 2.25%) per annum. The utilisation of deferred tax losses to offset the tax payable has not been considered. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate applied to the CGUs was 13.1% (2020: 12.5%).

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 2021	5,012	3,449	8,461
Acquisition (note 28)	12,860	7,420	20,280
At 31 December 2021	17,872	10,869	28,741
Accumulated amortisation			
At 1 January 2021	1,671	1,150	2,821
Amortisation	864	554	1,418
At 31 December 2021	2,535	1,704	4,239
Net book amount			
At 31 December 2021	15,337	9,165	24,502
	Software IPR £000	Customer relationships £000	Total £000
Group			
Cost			
At 1 January 2020 and 31 December 2020	5,012	3,449	8,461
Accumulated amortisation			
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

The Company held no intangible assets during the year (2020: 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 2021 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 as part of the acquisition of Revstream in 2017 have been determined as 10 years in respect of both software IPR and customer relationships (2020: 10 years).

During the year the Group completed the acquisition of MPP Global, see note 28 for details. The intangible assets acquired as part of the acquisition have been determined as software IPR in respect of the eSuite application totalling £12,860,000 and customer relationships of £7,420,000. The useful lives of both intangible assets have been determined as 8 years.

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

Notes to the Consolidated Financial Statements

12 Investments in subsidiaries

The Group did not hold any investments in 2021 (2020: nil).

	2021 £000	2020 £000
Company		
Cost		
At 1 January	57,126	56,893
Additions (note 28)	39,055	—
Share based payments – share options granted to employees of subsidiaries	607	233
At 31 December	96,788	57,126
Impairment		
At 1 January and 31 December	28,950	28,950
Net book amount		
At 31 December	67,838	28,176

On 9 October 2021, Aptitude Software Group plc acquired MPP Global Solutions Limited for consideration of £39.1 million, see note 28 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 and consider there to be no indicators of impairment.

Subsidiaries	Country	Activity
Aptitude Software (Canada) Limited *	Canada	Employment and Group Services
Aptitude Software Inc.*	USA	Software and Services
Aptitude Software Limited	England & Wales	Software and Services
Aptitude Software (Poland) sp. z o.o.*	Poland	Development
Aptitude Software (Singapore) pte. Limited*	Singapore	Software and Services
Aptitude Revstream Inc.*	USA	Software and Services
MPP Global Solutions Limited	England & Wales	Software and Services
MPP Global Solutions Inc*	USA	Software and Services
MPP Global Solutions kk*	Japan	Software and Services

* Indirectly held by Aptitude Software Group plc

As at 31 December 2021, the Company owns 100% of the ordinary share capital and share premium in the above subsidiaries. During the year the Company acquired the MPP Global subsidiaries.

12 Investments in subsidiaries (continued)

The registered office of the Group's principal subsidiaries which is not that of the Company are detailed below:

Subsidiary	Registered office
Aptitude Software (Canada) Limited	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 Wrocław, Poland
Aptitude Software (Singapore) pte. Limited	600 North Bridge Road, 23-01 Parkway Square, Singapore (188778)
Aptitude RevStream Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle Delaware, 19801
MPP Global Solutions Inc and MPP Global Inc	79 Madison Avenue, 8th Floor, New York, NY 10016
MPP Global Solutions kk	Tobu Bidg 6F, 6 Chrome-28-9 Jingumae, Shibuya, Tokyo 150-0001

13 Other long-term assets

	Group 2021 £000	Group 2020 £000
Prepaid commission costs	1,354	1,472

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 89.

The Company held no other long term assets during the year (2020: nil).

14 Income tax assets

As at 31 December 2021, the Group has income tax assets totalling £1,168,000 (2020: £1,803,000), all of which (2020: £1,161,000) 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.

Notes to the Consolidated Financial Statements

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% for all balances expected to be recovered within 12 months and 25% for all subsequent periods (2020: 19% for balances expected to be recovered within 12 months and 25% for all subsequent periods). USA deferred tax is calculated using an effective rate of 28% being made up of 21% federal and 7% state tax (2020: 27% made up of 21% federal and 6% state tax).

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Deferred tax				
Deferred tax				
– Deferred tax assets	115	448	147	67
– Deferred tax liabilities	(5,811)	(1,236)	–	–
Deferred tax (liability)/asset	<u>(5,696)</u>	<u>(788)</u>	<u>147</u>	<u>67</u>
	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Net deferred tax (liability)/asset				
At 1 January	(788)	(304)	67	798
Charge to income statement for the year	(387)	(611)	(4)	(718)
Credit/(charge) to equity (note 26)	190	(118)	72	(13)
On acquisition of subsidiaries (note 28)	(5,070)	–	–	–
Non-underlying deferred tax credit to the income statement for the year	346	237	–	–
Changes in tax rate	13	8	12	–
At 31 December	<u>(5,696)</u>	<u>(788)</u>	<u>147</u>	<u>67</u>

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.

	Accelerated capital allowances £000	Short term timing differences £000	Share-based payments £000	Taxable trading losses £000	Total £000
Deferred tax asset					
Group					
At 1 January 2020	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 26)	–	9	(127)	–	(118)
Changes in tax rate	–	(1)	–	–	(1)
At 31 December 2020	<u>40</u>	<u>757</u>	<u>124</u>	<u>–</u>	<u>921</u>
Total charge to income statement for the year	(40)	(259)	(6)	–	(305)
Credit to equity (note 26)	–	–	190	–	190
Changes in tax rate	–	29	9	–	38
At 31 December 2021	<u>–</u>	<u>527</u>	<u>317</u>	<u>–</u>	<u>844</u>
Amounts offset against deferred tax liability	–	(412)	(317)	–	(729)
Net deferred tax asset at 31 December 2021	<u>–</u>	<u>115</u>	<u>–</u>	<u>–</u>	<u>115</u>

15 Deferred tax (continued)

At 31 December 2021, the Group had unused tax losses totalling £1,029,000 available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

	Accelerated capital allowances £000	Short term timing differences £000	Share-based payments £000	Taxable trading losses £000	Total £000
Company					
At 1 January 2020	33	18	12	735	798
Total (charge)/credit to income statement for the year	—	(17)	34	(735)	(718)
Charge to equity (note 26)	—	—	(13)	—	(13)
At 31 December 2020	33	1	33	—	67
Total (charge)/credit to income statement for the year	(4)	3	(3)	—	(4)
Change in tax rate	12	—	—	—	12
Credit to equity (note 26)	—	—	72	—	72
At 31 December 2021	41	4	102	—	147

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

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

	Accelerated depreciation £000	Intangible fixed assets £000	Total £000
Group			
At 1 January 2020	(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)
Non-underlying deferred tax credit to the income statement for the year	—	346	346
On acquisition of subsidiary	—	(5,070)	(5,070)
Total charge to income statement for the year	(82)	—	(82)
Change in tax rate	(37)	12	(25)
At 31 December 2021	(180)	(6,360)	(6,540)
Deferred tax asset amounts offset against deferred tax liability			729
Net deferred tax liability at 31 December 2021			(5,811)

Explanation of the movements in the year is provided on page 122.

Notes to the Consolidated Financial Statements

16 Trade and other receivables

	Group 31 Dec 2021 £000	Group 31 Dec 2020 £000	Company 31 Dec 2021 £000	Company 31 Dec 2020 £000
Trade receivables	8,833	5,881	—	—
Less: provision for impairment of receivables	(21)	—	—	—
Trade receivables – net	8,812	5,881	—	—
Other receivables	330	499	—	8
Prepayments	1,110	791	295	210
Accrued income	523	611	—	—
	10,775	7,782	295	218

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

Within the trade receivables balance of £8,833,000 (2020: £5,881,000), of which £1,262,000 related to the acquired MPP Global business, there are balances totalling £1,544,000 including £518,000 in respect of MPP Global (2020: £1,453,000) which, at 31 December 2021, were overdue for payment. Of this balance £1,341,000 (2020: £1,432,000) has been collected at 14 March 2022 (2020: 9 March 2021). The ageing of the trade receivables is as follows:

	Trade receivables	
	31 Dec 2021 £000	31 Dec 2020 £000
The ageing of the trade receivables is as follows:		
Not past due	7,289	4,428
Past due		
Less than one month overdue	1,146	778
One to two months overdue	346	184
Two to three months overdue	41	222
More than three months overdue	11	269
At 31 December	8,833	5,881

The Company had no trade receivables in either year.

Trade and other receivables are denominated in the following currencies:

	Group 31 Dec 2021 £000	Group 31 Dec 2020 £000	Company 31 Dec 2021 £000	Company 31 Dec 2020 £000
Sterling	6,458	2,954	295	218
United States Dollars	4,243	4,744	—	—
Other	74	84	—	—
	10,775	7,782	295	218

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

	Group 31 Dec 2021 £000	Group 31 Dec 2020 £000
At 1 January	—	19
Charged/(released) to income statement	21	(19)
At 31 December	21	—

Movements in the provision for impaired trade receivables have been included in the income statement under other operating costs. No amounts were written off as unrecoverable to the income statement during the year (2020: £nil). Non-trade receivables do not contain any impaired assets.

16 Trade and other receivables (continued)

Whilst the Group retains credit insurance in respect of certain balances, the maximum exposure to credit risk at the reporting date is the fair value of each receivable class mentioned above. No collateral is held as security against these assets.

The Company does not have any provision for impairment against its trade receivables (2020: 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 2021		31 Dec 2020	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Group				
Interest rate swaps – cash flow hedges	–	29	–	–
Forward foreign exchange contracts – cash flow hedges	–	264	62	133
	<u>–</u>	<u>293</u>	<u>62</u>	<u>133</u>
	31 Dec 2021		31 Dec 2020	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Company				
Interest rate swaps – cash flow hedges	–	29	–	–
	<u>–</u>	<u>29</u>	<u>–</u>	<u>–</u>

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, in the prior year, 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 2021 £000	31 Dec 2020 £000
Forward foreign exchange contracts – Polish Zloty	8,865	5,895
Forward foreign exchange contracts – US Dollar	<u>–</u>	<u>370</u>

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

Notes to the Consolidated Financial Statements

17 Financial instruments (continued)

- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

At 31 December 2021, the fair value of the Group's currency derivatives is estimated to be a liability of approximately £264,000, (2020: £71,000 split between £62,000 of assets and £133,000 of liabilities), based on quoted market values.

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

Derivatives designated in hedging relationships at 31 December 2021:

	Maturity		Total
	1-6 months	6-12 months	
Polish Zloty (highly probable forecast purchase)			
Notional amount (£000)	4,126	4,739	8,865
Average GBP:Zloty contract value	5.31	5.45	5.39

Derivatives designated in hedging relationships at 31 December 2020:

	Maturity		Total
	1-6 months	6-12 months	
Polish Zloty (highly probable forecast purchase)			
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)			
Notional amount (£000)	120	250	370
Average GBP:USD contract value	1.29	1.33	1.31

The ineffectiveness recognised in the income statement for the year ending 31 December 2021 was a loss of £308,000 (2020: £50,000) which was split between a loss of £350,000 recognised in operating costs partially netted off by a gain of £42,000 in revenue (2020: loss of £75,000 in operating costs and a gain of £25,000 in revenue).

The fair value movement from hedging recognised in other comprehensive income during the year ending 31 December 2021 was £222,000 (2020: income of £45,000).

Interest rate swap

The Group and Company entered into floating-to-fixed interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at floating rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swap contract match the terms of highly probable forecast transactions (i.e. notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap contract is identical to the hedged risk components. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks.

At 31 December 2021, the fair value of the Group's currency derivatives is estimated to be a liability of approximately £29,000 (2020: nil) based on discounting the expected future cash flows at prevailing interest rates and are based on market prices at the balance sheet date.

The interest rate swap is designated as 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 2021:

	Floating to fixed	Fixed to floating
Notional amount (£000)	10,000	10,000
Weighted average hedged rate	SONIA+1.75%	2.95%

The ineffectiveness recognised in the income statement for the year ending 31 December 2021 was nil (2020: nil).

The expense incurred from hedging recognised in other comprehensive income during the year ending 31 December 2021 was £29,000 (2020: nil).

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.

	Note	31 Dec 2021		31 Dec 2020	
		Book value £000	Fair value £000	Book value £000	Fair value £000
Group					
Cash at bank and in hand	18	29,064	29,064	44,822	44,822

	Note	31 Dec 2021		31 Dec 2020	
		Book value £000	Fair value £000	Book value £000	Fair value £000
Company					
Cash at bank and in hand	18	19,498	19,498	37,347	37,347

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

Neither the Group nor the Company defaulted on any loans during the year. In addition, the Group and Company did not breach the terms of any loan agreements during the year.

Credit quality of financial assets

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

	2021 £000	2020 £000
Group		
Trade receivables		
Banks and financial institutions	1,935	1,706
Other corporates	5,354	2,722
Total current trade receivables	7,289	4,428
Overdue trade receivables	1,544	1,453
Total trade receivables	8,833	5,881

Cash at bank and short-term bank deposits

Current Rating (Moody's)	2021 £000	2020 £000
Aa2	102	150
Aa3	27,545	35,132
A1	—	8,390
A2	1,417	1,150
	29,064	44,822

None of the financial assets that are fully performing have been renegotiated in the last year.

Notes to the Consolidated Financial Statements

18 Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	Group 31 Dec 2021 £000	Group 31 Dec 2020 £000	Company 31 Dec 2021 £000	Company 31 Dec 2020 £000
Sterling	19,641	37,349	19,498	37,347
United States Dollar	8,574	6,826	—	—
Euros	361	—	—	—
Canadian Dollar	227	364	—	—
Polish Zloty	225	283	—	—
Singapore Dollar	29	—	—	—
Japanese Yen	7	—	—	—
	29,064	44,822	19,498	37,347

The effective interest rate on short term deposits was 0.0% (2020: 0.2%).

19 Financial liabilities

	Group 31 Dec 2021 £000	Group 31 Dec 2020 £000	Company 31 Dec 2021 £000	Company 31 Dec 2020 £000
Bank loan	9,886	—	9,886	—
The borrowings are repayable as follows:				
Within one year	313	—	313	—
In the second year	1,250	—	1,250	—
In the third to fifth years inclusive	8,437	—	8,437	—
	10,000	—	10,000	—
Unamortised prepaid facility arrangement fees	(114)	—	(114)	—
As at 31 December	9,886	—	9,886	—

On 14 October 2021, the Group and Company entered into a loan agreement with Bank Of Ireland Group plc consisting of a £10 million term loan in addition to a revolving credit facility of £10 million. The loan is secured on the assets of the Group. Operating covenants are limited to the Group's net debt leverage and interest cover. The term loan is repayable over five years with an initial 12-month repayment holiday followed by annual capital repayments of £1,250,000. At the end of the term, a bullet payment of £5 million is due. The loan is denominated in Pound Sterling and carries interest at SONIA plus 1.75%. The Group entered into an interest swap on 2 November 2021, effectively fixing the interest rate at 2.95% over a five-year period.

20 Trade and other payables

	Group 31 Dec 2021 £000	Group 31 Dec 2020 £000	Company 31 Dec 2021 £000	Company 31 Dec 2020 £000
Trade payables	1,290	600	102	58
Amounts owed to group undertakings	—	—	13,083	1,965
Other tax and social security payable	1,216	2,020	29	—
Other payables	405	166	428	—
Accruals	6,462	5,163	737	423
Deferred income	30,911	25,703	—	—
	40,284	33,652	14,379	2,446

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

The Company borrowed £11,377,000 from group undertakings during the year (2020: paid £1,577,000 to group undertakings) representing the movement on the net amount owed to or from group undertakings from the start of the year to the year end. These amounts are detailed in both note 16 and the table above with the cash impact incorporating non-cash movements totalling £259,000 (2020: £7,000). Gross borrowings during the year totalled £22,704,000 net of £11,327,000 payments (2020: borrowings of £16,409,000 and payments of £17,986,000).

21 Capital lease obligations

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

	Group 31 Dec 2021 £000	Group 31 Dec 2020 £000
Amounts payable under capital lease arrangements:		
Within one year	387	908
Within two to five years	1,624	1,084
After five years	1,632	—
Total	3,643	1,992
Less: future finance charges	(593)	(139)
Present value of lease obligations	3,050	1,853
Less: Amount due for settlement within 12 months (shown under current liabilities)	(273)	(881)
As at 31 December	2,777	972

	Group 31 Dec 2021 £000	Group 31 Dec 2020 £000
The present value of financial lease liabilities is split as follows:		
Within one year	273	881
Within two to five years	1,287	972
After five years	1,490	—
	3,050	1,853

Notes to the Consolidated Financial Statements

21 Capital lease obligations (continued)

The Company had no capital lease obligations during the year (2020: nil).

	Group 31 Dec 2021 £000	Group 31 Dec 2020 £000
Liability as at 1 January	1,853	2,123
Additions	2,599	543
Interest	143	100
On acquisition of subsidiary (note 28)	279	—
De-recognition	(1,056)	—
Foreign exchange	(42)	11
Repayments	(756)	(924)
Liability as at 31 December	<u>3,050</u>	<u>1,853</u>

Total cash outflows from all leases totaled £999,000 (2020: £924,000), of which £243,000 (2020: nil) related to short term or low value leases. These amounts are displayed within the cashflows from operating activities in the statement of cashflows.

22 Provisions

	31 Dec 2021 £000	31 Dec 2020 £000
Group		
At 1 January	441	375
(Credited)/charged to income statement	(142)	69
On acquisition of subsidiary (note 28)	89	—
Foreign exchange	(9)	(3)
At 31 December	<u>379</u>	<u>441</u>

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

	31 Dec 2021 £000	31 Dec 2020 £000
Current	142	—
Non-current	237	441
	<u>379</u>	<u>441</u>

£334,000 (2020: £386,000) of the total provision at 31 December 2021 of £379,000 (2020: £441,000) relates to the cost of dilapidations in respect of its occupied leasehold premises.

All of the non-current provision is expected to be utilised within 2 to 5 years (2020: £441,000).

23 Share capital

Group and Company	31 Dec 2021		31 Dec 2020	
	Number	£000	Number	£000
Ordinary shares of 7 1/3p each				
Issued and fully paid:				
At 1 January	56,428,967	4,143	56,217,970	4,128
Issued under share option schemes	277,944	15	210,997	15
Equity consideration on acquisition	492,537	36	—	—
At 31 December	57,199,448	4,194	56,428,967	4,143

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

Period	Year of grant	Exercise price	2021 Number	2020 Number
Between 1 November 2020 and 1 May 2021	2017	450.5p	—	26,486
Between 1 November 2020 and 1 May 2021	2017	433.0p	—	73,377
Between 1 December 2020 and 1 June 2021	2017	400.0p	—	27,189
Between March 2022 and 10 August 2027	2017	6 3/7p	75,327	75,327
Between March 2020 and 10 August 2027	2017	6 3/7p	—	4,601
Between 30 August 2023 and 10 August 2028	2018	6 3/7p	28,431	106,886
Between 30 August 2023 and 10 August 2028	2018	6 3/7p	—	86,277
Between 12 March 2021 and 10 August 2028	2018	6 3/7p	—	41,763
Between 1 November 2021 and 1 May 2022	2018	410.0p	4,390	27,235
Between 1 November 2021 and 1 May 2022	2018	418.0p	27,376	119,107
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	89,206	94,573
Between 1 November 2022 and 1 May 2023	2019	590.0p	11,565	16,933
Between 1 November 2022 and 1 May 2023	2019	600.0p	90,322	119,452
Between 12 March 2022 and 10 August 2029	2020	7 1/3p	253,278	261,397
Between 12 March 2024 and 10 August 2029	2020	7 1/3p	123,669	123,669
Between 1 November 2023 and 1 May 2024	2020	460.0p	316,169	337,757
Between 1 November 2023 and 1 May 2024	2020	446.0p	72,337	79,801
Between 12 March 2023 and 10 August 2030	2021	7 1/3p	268,156	—
Between 12 March 2025 and 10 August 2030	2021	7 1/3p	98,610	—
Between 1 November 2024 and 1 May 2025	2021	692.0p	20,987	—
Between 1 November 2024 and 1 May 2025	2021	700.0p	117,404	—
			1,745,013	1,769,616

24 Share premium account

Group and Company	2021 £000	2020 £000
At 1 January	7,828	7,660
Premium on shares issued during the year under the share option schemes	953	168
Premium on shares issued as part of equity consideration on acquisition	3,165	—
At 31 December	11,946	7,828

The total net proceeds from the issuance of shares during the year was £968,000 (2020: £183,000) with £15,000 (2020: £15,000) of this being recognised within share capital, being the nominal value of shares issued. The remaining amount represents the premium on issue which is detailed in the table above.

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25 Other reserves

	Derivatives hedge reserve £000	Merger reserve £000	Total £000
Group			
At 1 January 2020	(116)	34,195	34,079
– net fair value gains in the period	45	—	45
At 31 December 2020	(71)	34,195	34,124
Cash flow hedges			
– net fair value losses in the period	(222)	—	(222)
At 31 December 2021	(293)	34,195	33,902
	Derivatives hedge reserve £000	Merger reserve £000	Total £000
Company			
At 1 January 2020 and 31 December 2020	—	17,398	17,398
Cash flow hedges			
– net fair value losses in the period	(29)	—	(29)
At 31 December 2021	(29)	17,398	17,369

The derivatives hedge reserve held by the Group and Company represents the total notional amount of outstanding cash flow hedges as at the balance sheet date. The non-distributable merger reserve reflects historical business combinations where merger relief was obtained.

26 (Accumulated losses)/retained earnings

	Group £000	Company £000
At 1 January 2020	(11,149)	12,473
Profit for the year	7,037	12,610
Share options – value of employee service (note 30)	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
Profit/(loss) for the year	5,074	(1,918)
Share options – value of employee service (note 30)	612	612
Deferred tax on share options (note 15)	190	72
Dividends paid (note 8)	(3,057)	(3,057)
At 31 December 2021	(3,346)	18,116

The loss for the financial year dealt with in the financial statements of the Company was £1,918,000 (2020: profit of £12,610,000). 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 £18,116,000 retained earnings, £16,822,000 (2020: £21,150,000) is distributable to shareholders following adjustment for the cumulative impact of share options value of service through reserves.

27 Cash flows from operating activities

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

	Group Year ended 31 Dec 2021 £000	Group Year ended 31 Dec 2020 £000	Company Year ended 31 Dec 2021 £000	Company Year ended 31 Dec 2020 £000
Profit before tax for the year	6,229	8,108	(1,928)	13,375
Adjustments for:				
Depreciation	1,179	1,573	24	96
Amortisation	1,418	846	—	—
Share-based payment expense	612	337	5	102
Finance income	(6)	(61)	(6)	(22)
Finance costs	238	100	95	—
Dividend income, net of intra-group dividend paid	—	—	—	(16,006)
Changes in working capital excluding the effects of acquisition:				
(Increase)/decrease in receivables	(1,561)	1,917	(78)	88
Increase/(decrease) in payables	3,930	3,484	387	(343)
Increase in provisions	(149)	(66)	—	—
Cash generated from/(used in) operations	<u>11,890</u>	<u>16,238</u>	<u>(1,501)</u>	<u>(2,710)</u>

Notes to the Consolidated Financial Statements

28 Acquisitions

MPP Global Solutions Limited ('MPP Global')

On 9 October 2021 the Group acquired the entire share capital and voting rights of MPP Global Solutions Limited for consideration of £39.1 million, which included £2.3 million of cash. Of the consideration, £35.4 million was payable in cash at completion, £3.2 million was satisfied by the issue of 492,537 new ordinary shares with a fair value of 650 pence on date of acquisition with the balance being settled by way of tax relief consideration totalling the R&D credit receivable by the business for the 12 month period ending 30 June 2021 on submission of the UK tax return. The New Ordinary Shares issued will be subject to a twelve-month lock-in.

The net assets acquired in the transaction and the intangibles arising, are as follows:

	Carrying values pre acquisition £000	Fair value adjustments £000	Provisional fair value £000
Net assets acquired			
Property, plant and equipment including right-of-use assets	237	–	237
Intangible assets	–	20,280	20,280
Trade and other receivables	1,314	–	1,314
Cash and cash equivalents	2,314	–	2,314
Current income tax assets	426	–	426
Trade and other payables	(1,467)	–	(1,467)
Deferred income	(830)	–	(830)
Capital lease obligations	(279)	–	(279)
Provisions	(89)	–	(89)
Deferred tax liabilities	–	(5,070)	(5,070)
	<u>1,626</u>	<u>15,210</u>	<u>16,836</u>
Goodwill			<u>22,219</u>
Total consideration			<u><u>39,055</u></u>
Satisfied by			
Cash paid			35,426
Equity consideration			3,201
Tax relief consideration			428
			<u><u>39,055</u></u>

The intangible assets acquired as part of the acquisition of MPP Global can be analysed as follows:

	Provisional fair value £000
Software IPR and in process R&D	12,860
Customer relationships	7,420
	<u><u>20,280</u></u>

MPP Global generated £2.3 million of revenue with an operating loss of £0.3 million whilst under Aptitude's ownership. Costs in relation to the acquisition are included within non-underlying costs and within cash flows from operating activities in the cash flow statement. The cash outflow included within the cash flows from investing activities totalling £33,112,000 represents the cash paid on completion of £35,426,000 net of £2,314,000 cash held by the business. For the purposes of the Company cash flow statement no adjustment for the cash held was made.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and operating loss for the year ended 31 December 2021 would have been £9.5 million and £1.1 million respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies and procedures between the Group and the subsidiary.

29 Commitments

The Group and Company have no commitments other than short term leases or a lease of low-value asset during the year (2020: £nil).

30 Share based payments

Performance Share Plan (PSP)

Under the 2016 Performance Share Plan (PSP), the Remuneration Committee is allowed to grant conditional allocations of par value options in the Company to key executives. The contractual life of an option is 10 years. The PSP is considered a Long Term Incentive Plan (LTIP) award.

370,578 options were granted on 3 November 2021 (2020: 416,211 awards granted). The performance conditions are in line with those described for the Executive Directors on page 64.

The inputs inserted into the Monte Carlo Pricing model for the options granted in 2021 are detailed below.

Item	Value
Exercise price	7 ½p
Expected volatility	35%
Dividend yield	0.9%
Risk-free interest rate	0.5%

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

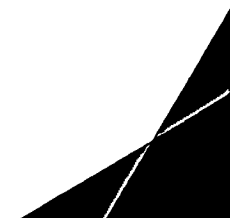
At the year end there were 49 (2020: 29) employees currently participating in the scheme. Exercise of an option is subject to continued employment.

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

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	942,279	6.72p	880,192	6.72p
Granted	370,578	7 1/3p	416,211	7 1/3p
Exercised	(50,939)	6.43p	(152,676)	6.54p
Lapsed	(177,455)	6.52p	(201,448)	6.64p
Outstanding at 31 December	<u>1,084,463</u>	<u>7.25p</u>	<u>942,279</u>	<u>6.72p</u>
Exercisable at 31 December	<u>—</u>	<u>6.43p</u>	<u>4,601</u>	<u>6 3/7p</u>

50,939 (2020: 152,676) PSP share options were exercised in 2021. The weighted average share price at the date of exercise for share options exercised during 2021 under the Share Option Plans was 674p (2020: 396p).

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 8.58 years (2020: 8.63 years).



Notes to the Consolidated Financial Statements

30 Share based payments (continued)

During 2020, the Remuneration Committee approved an amendment to the EPS performance condition of the 2019 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
01/01/2019 to 31/12/2021	0% to vest below EPS of 10.6p for 2021
	25% to vest with an EPS of 10.6p for 2021
	An amount between 25% and 100% to vest with an EPS of between 10.6p and 12.3p for 2021
	100% to vest with an EPS of 12.3p or greater for 2021

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, 279 employees (2020: 245) currently participate in these Plans.

Options granted under the Share Option Plans will become exercisable on the third anniversary of the date of grant, subject to specific criteria being met.

Exercise of an option is subject to continued employment.

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

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	827,337	452.25p	675,702	433.51p
Granted	140,992	698.66p	421,259	457.35p
Exercised	(227,005)	427.43p	(58,321)	297.38p
Lapsed	(80,774)	515.95p	(207,346)	528.90p
Forfeited	—	—	(3,957)	400.00p
Outstanding at 31 December	<u>660,550</u>	<u>505.58p</u>	<u>827,337</u>	<u>452.25p</u>
Exercisable at 31 December	<u>31,766</u>	<u>416.89p</u>	<u>127,052</u>	<u>429.59p</u>

The inputs inserted into the Black Scholes Pricing model for the options granted in 2021 are detailed below.

Item	Value	
	UK	International
Exercise price	692p	700p
Expected volatility	35.50%	35.50%
Dividend yield	0.78%	0.78%
Risk-free interest rate	0.37%	0.37%
Expected cancellation rate	5%	5%

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

30 Share based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the year under the Share Option Plans was 629.3p (2020: 434.6p).

The options outstanding at the end of the year have an expected weighted average remaining contractual life of 2.29 years (2020: 2.34 years).

The Group recognised total expenses of £612,000 (2020: £337,000) related to equity-settled share-based payment transactions during the year. The reduction in charge in 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 £617,000 (2020: £445,000). There was a deferred tax credit of £190,000 (2020: charge of £118,000 and corporation tax credit of £763,000 due to the number of shares exercised in the period) taken directly to equity.

The Company recognised total expenses of £5,000 (2020: £104,000) related to equity-settled share-based payment transactions during the year. After deferred tax, the total charge in the income statement was £8,000 (2020: 117,000). There was a deferred tax credit of £72,000 (2020: deferred tax charge of £13,000 and corporation tax credit of £44,000) taken directly to equity.

31 Retirement benefit schemes

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

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

The total expense recognised in the income statement of £946,000 (2020: £930,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2021, contributions totalling £36,000 (2020: £35,000) due in respect of the 2021 reporting year had not been paid over to the plans and were included within accruals. All amounts were paid over subsequent to the balance sheet date.

32 Related party transactions

Group

The following transactions were carried out with related parties:

During 2021, the Group entered into transactions with a subsidiary of FDM Group (Holdings) plc, a Company for which Peter Whiting (non-executive Director) is currently a non-executive Director. FDM Group (Holdings) plc provided consultancy services to the Group during the year at a cost of £42,000 (2020: £231,000). Peter Whiting will be stepping down from his role as non-executive Director at the Group's next Annual General Meeting to be held in April 2022.

The Company acts as the Group's treasury vehicle and during the year owed a net £13,083,000 to its subsidiary companies (2020: £1,965,000).

There were no further related party transactions in the year ended 31 December 2021 (2020: nil), as defined by International Accounting Standard No 24 "Related Party Disclosures" other than key management compensation as disclosed in note 4.

Shareholder Information

Size of shareholding	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
1 – 1,000	535	55.7	158,544	0.3
1,001 – 5,000	210	21.9	488,153	0.9
5,001 – 50,000	119	12.4	1,910,436	3.3
50,001 – 500,000	68	7.0	11,045,789	19.3
500,001 – above	28	3.0	43,599,787	76.2
Total	960	100%	57,202,709	100%

Investor Type	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued shares
Nominee Companies	209	21.8	46,360,463	81.0
Bank & Bank Nominees	6	0.6	5,759,466	10.0
Private Shareholders	696	72.5	2,489,078	4.4
Limited Companies	12	1.2	71,340	0.1
Other Institutions	14	1.5	2,490,748	4.4
Deceased Shareholders	23	2.4	31,614	0.1
Total	960	100%	57,202,709	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 Thursday, 28 April 2022 at 8th Floor, 138 Cheapside, London EC2V 6BJ. Details are given in a separate notice to shareholders enclosed with this Annual Report. A copy of the Notice of Annual General Meeting together with this Annual Report is posted on the Company's website www.aptitudesoftware.com. Shareholders are encouraged to vote by proxy and to submit any questions ahead of the meeting. Details of how to do this are contained in the Notice of Annual General Meeting.

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REPRESENTATIONS

Aptitude Software Limited

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