

## Alternative performance measures (APMs)

This annual report and accounts contains certain financial measures (APMs) that are not defined or recognised under IFRS but are presented to provide readers with additional financial information that is evaluated by management and investors in assessing the performance of the Group.

This additional information presented is not uniformly defined by all companies and may not be comparable with similarly titled measures and disclosures by other companies. These measures are unaudited and should not be viewed in isolation or as an alternative to those measures that are derived in accordance with IFRS.

### Recurring revenue

Recurring revenue is the revenue that annually repeats either under contractual arrangement or by predictable customer habit. It highlights how much of the Group's total revenue is secured and anticipated to repeat in future periods, providing a measure of the financial strength of the Group. It is a measure that is well understood by the Group's investor and analyst community and is used for internal performance reporting.

|                       | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------|---------------|---------------|
| Reported revenue      | 159,453       | 159,507       |
| Non-recurring revenue | (29,410)      | (34,538)      |
| Recurring revenue     | 130,043       | 124,969       |

### Adjusted operating profit, adjusted operating margin and adjusted EPS

Adjusted operating profit is operating profit from continuing operations excluding exceptional items, the effect of capitalisation and amortisation of development costs and the amortisation of acquired intangible assets. The same adjustments are also made in determining the adjusted operating margin of the Group and its segments and also in determining adjusted EPS. The EPS calculation further adjusts for the related tax and non-controlling interest effects of the operating profit adjustments.

The Board considers this adjusted measure of operating profit to provide the best metric of assessing underlying performance, as:

- it excludes exceptional items (items are only classified as exceptional due to their nature or size);
- it excludes any one-off goodwill impairment;
- by expensing capitalised development costs (and also not amortising these costs) it reflects the underlying in-year cash cost of development of software for external sale, as development is considered to be a core ongoing operating function of the business; and
- it excludes the amortisation of acquired intangibles arising from business combinations which varies year on year dependent on the timing and size of any acquisitions. This is consistent with the presentation of the amortisation of the Group's own software intangibles.

These metrics are used internally for reporting business unit performance and in determining management and executive remuneration. They are commonly used by other software companies and are also well understood by the Group's investor and analyst community.

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Reported operating profit  | 35,776        | 26,827        |
| Development costs capitalised                                      | (6,590)       | (7,363)       |
| Amortisation of computer software developed for external sale      | 4,276         | 7,132         |
| Amortisation of intangible assets arising on business combinations | 6,824         | 7,317         |
| Exceptional reorganisation costs                                   | —             | 5,360         |
| Exceptional release of contingent acquisition consideration        | (1,020)       | —             |
| Adjusted operating profit  | 39,266        | 39,273        |

A reconciliation of adjusted earnings used in the adjusted EPS calculations is shown below:

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Profit attributable to equity holders                              | 30,248        | 22,658        |
| Profit from discontinued operation, net of tax                     | —             | (476)         |
| Development costs capitalised                                      | (6,590)       | (7,363)       |
| Amortisation of computer software developed for external sale      | 4,276         | 7,132         |
| Amortisation of intangible assets arising on business combinations | 6,824         | 7,317         |
| Exceptional reorganisation costs                                   | —             | 5,360         |
| Exceptional release of contingent acquisition consideration        | (1,020)       | —             |
| Other income   | (782)         | —             |
| Tax and non-controlling interest effect of above items             | (925)         | (2,319)       |
| Adjusted profit attributable to equity holders                     | 32,031        | 32,309        |

### Adjusted cash generated from operations

The Group's adjusted cash generated from operations adjusts for capitalised development cost expenditure and the cash costs of exceptional items, consistent with the adjusted operating profit metric used by the Group. This provides a meaningful metric for the underlying cash the Group generates having accounted for the cash cost of all development expenditure and adding back the cash cost of non-recurring exceptional items.

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Reported cash generated from operations | 64,138        | 50,059        |
| Development costs capitalised           | (6,590)       | (7,363)       |
| Cash cost of exceptional items          | 1,303         | 3,636         |
| Adjusted cash generated from operations | 58,851        | 46,332        |

### Net cash/(debt)

The Group uses net cash/(debt), defined as cash and cash equivalents less total borrowings (excluding IFRS 16 lease liabilities), as a supplementary measure in evaluating its liquidity, as it indicates the level of cash available to the Group and provides an indicator of the overall balance sheet strength. It is used in the calculation of the leverage ratio under its bank facility arrangements. For the period ended 31 December 2020 the Group was in a net cash position, with no borrowings.