

Regulatory Announcement

Company Gresham Computing PLC
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Gresham Computing plc
("Gresham," "the Group" or "the Company")

Preliminary Results for the year ended 31 December 2007

Gresham, the specialist provider of real-time financial solutions and storage solutions, today announces preliminary results for the year ended 31 December 2007.

Alan Howarth, having steered the business through a number of key changes steps down from the Board today and Eric Sepkes joins as Chairman.

Eric, ex-Citigroup, has had a distinguished career to date and is recognised as a leading innovator in the global banking industry. He joins us to help accelerate the roll out of our unique solutions to the global finance and banking markets and further develop Gresham's thought leadership in real-time financial solutions.

Commenting on his appointment, Eric Sepkes, Chairman, said

"I am delighted to join the Board of Gresham at this point of flux in world markets because with change, comes opportunity. We are in an age where demand for real-time information is clear and yet largely unfulfilled in many areas of both the banking and corporate markets. I am excited to be taking on this new challenge and joining a team that has a track record of innovation, development and delivery of market leading real-time financial solutions. Gresham has done the heavy lifting in getting these solutions to market and I now intend to rapidly increase Gresham's profile and ensure that the demands for real-time financial information are met."

Highlights:

- Significant growth in cash reporting services
- Successful launch of a supply chain financing solution, "Optus Early Pay"
- Market acceptance of our new data storage solution

In 2007 our focus has been on building long term recurring revenues. We started 2008 with a significantly improved order book, representing around three quarters of our 2007 turnover. As a result, Q1 2008 trading performance was significantly better than the like for like period in 2007 with net cash balances at the end of Q1 2008 being broadly similar to the 2007 year end position.

Commenting on the results Andrew Walton-Green, Gresham Chief Executive Officer, said:

"Our movement from a largely licensed based sales model to selling software as a service is now starting to pay off. We made solid progress in taking our core solutions to market and we have made a solid start to 2008. I am delighted that Eric has joined Gresham. His knowledge and experience in financial markets is renowned and the whole team is excited at the opportunity to focus our attentions on fulfilling the growing demand for our solutions."

"I would like to thank Alan Howarth on behalf of myself and the Board for his assistance over the years in steering the business through some key changes, including the launch of core technologies, and for assisting us in bringing Eric onto the Board."

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CHAIRMAN'S STATEMENT

Overview of the year

I am pleased to report that we have made substantial progress in 2007 towards our strategic objectives.

We have significantly grown our cash reporting business, launched our supply chain financing solution and successfully installed our storage backup virtualisation technology in multiple customer sites.

We have invested heavily over the last few years to build an innovative range of products in the payments, cash management and storage markets with a view to securing the longer-term benefits of recurring revenues, predominantly from selling software as a service.

Strategy

Our strategy is to grow the business by focusing on real-time financial and storage solutions. Our preferred model is to work closely with our customers and partners globally to add value to their business and hence our own.

The markets for real-time financial solutions and storage solutions are huge and we believe that Gresham technology is well placed to satisfy a significant part of the growing demand for both. We have strengthened our businesses with the addition of new people and increased our sales and marketing capabilities to achieve growth based on meeting the needs of our customers.

When the time is right, we will seek acquisitions to accelerate our growth in the real-time financial solutions market. During the year under review, we identified a number of businesses within the group that do not fit with our core focus. As a result, we are currently reviewing our options regarding these businesses and expect this review may give rise to one or more business disposals in the current financial year.

Real-time financial solutions

Cash reporting

During the year, we further increased the number of providers and currencies available on the Clareti Cash Reporting Service at the request of our user banks. We now have 29 major banks (an increase of 7 in 12 months) that have agreed to provide data to the service of which data from 20 of them is now available in 19 currencies, with more on the way. There are 9 user banks, some of which have deeply embedded our solution in their back office environment. We are currently collating data and building the business case for another 20 banks.

We continue to see transaction traffic with a value in excess of \$500 billion per day passing across our service to users.

We are already seeing significant interest in us delivering this solution to the broker dealer community via their primary bankers. Our outsourced real-time information solution provides efficiency and speed to market for banks wishing to provide this service.

When the service was originally launched the primary targets were the banks as the end users of the data. Our experience indicates that while the pressure for real-time data grows, especially in a credit crunch, the most significant driver of new revenues for us is the demand for intra-day/real-time cash management information from the banks' corporate customers. This can then be used by the corporate for intraday decision making and hence drives new revenues for the bank. It also acts as a differentiator in a globally competitive market. The visibility of real-time data is a significant enabler to risk management, which is particularly relevant in uncertain economic times.

As at 31 December 2007, our solutions were enabling 10 corporate customers of a major UK clearing bank with intraday cash management information. I am pleased to report that a hosted version of this service went live in the first quarter of 2008 and the number of customers is now growing. We currently have a pipeline of several hundred new corporate users and will be working closely with our partners to bring these onboard during 2008 and beyond.

Supply chain finance

Unlocking the working capital tied up between corporate buyers and their suppliers is of immense value. We have developed a world leading technology solution for multiple forms of trade finance and are currently engaged in rolling this service out to market with some major players.

Our supply chain finance technology went live in the second half of 2007, initially in Australia. The "Optus Early Pay" collaboration between Optus, a global bank and Gresham is focused on providing a comprehensive solution for supply chain financing. The first major corporate buyer, a multi-billion turnover listed company, went live in Q3 2007 on this service and we are working to on-board their suppliers. Four more major buyers are currently integrating to the service. Our banking partner has developed a strong pipeline and has aggressive growth plans for 2008 and beyond.

Treasury management

In February 2008, we were pleased to announce a substantial contract win for a treasury management solution with a blue chip customer.

The implementation of this solution is expected to be completed during 2008.

This new win follows earlier successful implementations at both Petronas and Khazanah in Malaysia where we continue to deliver enhancements and provide support.

Storage

Our storage solutions provide advanced backup/restore capability designed to meet the needs of the largest and most complex businesses but are also equally effective in the mid market. We focus on ease of use, scalability and performance and have over 4,000 installations of our software including 90 customers in the global Fortune 500.

Historically we have sold largely through major resellers hence our brand awareness has been lower than one would expect for a company with such an established client base. In 2007, we made significant steps to grow our brand recognition within the global storage technology industry in order to gain more attention to our newest storage product. We have invested in senior experienced professionals for major account development, reseller partner management and global marketing. We also increased our engagement with the press and industry analyst community to educate our customers, our partners and the market on our solutions.

During 2007, we successfully launched our Backup Virtualization solution, which allows multiple backup applications to write to any number of disks or tape. I am pleased to report that we now have 15 implementations, including a number of Fortune 500 companies. These solutions are typically running in complex open and mainframe system environments both in the US and Europe.

Financials

During the year we continued to invest in our three core technologies; cash reporting, supply chain finance and backup virtualisation. Alongside this we continue to invest in brand awareness and marketing focused on our core target markets for these technologies.

Group revenues were £13.4m (2006: £14.5m) generating a loss after tax of £2.4m (2006: loss £0.4m) with cash at year end of £2.3m (2006: £3.6m). We saw an EBITDA loss of £2.2m (2006: loss £49,000), with an adjusted EBITDA loss of £1.5m (2006: loss £85,000).

Overall, we saw growth from all three of our core technology solutions. We invested in taking them to market faster and with greater brand awareness.

We saw lower revenues in non core areas, especially our Staff IT contracting arm and in legacy products. We also saw the deferral of a significant treasury management contract from 2007 to Q1 2008. A significant proportion of our revenues are from overseas and the weakened US Dollar has also adversely impacted revenues.

In aligning the business with our core technologies we have been able to reduce cost and increase focus going into 2008. During 2007, we incurred one off restructuring costs of approximately £700,000 in non core areas, with a cash pay back period of less than six months. The benefits of this restructuring are already being felt.

EMEA revenues were £8.2m (2006: £8.8m) with growth in our core businesses offset by lower sales volumes in non core businesses. North American revenues were steady at £3.9m (2006: £3.9m) with growth in sales of our new technology offset by unfavourable foreign currency rates. Asia Pacific revenues were £1.3m (2006: £1.8m) which reflects the focus on establishing longer term revenues from the supply chain financing service as opposed to short term services/product. Within this region, we saw one major treasury management deal fall away and one deferred into 2008. The benefits from this focus on core technologies resulted in good progress with our supply chain financing technology in Australia and winning of the deferred treasury management deal in 2008.

EBITDA calculated as earnings before interest, tax, amortisation and depreciation

Adjusted EBITDA calculated as EBITDA before non-cash share option charges and one off restructuring charge in 2007 of £700,000

Board change

After several years overseeing the transition of the group to this point, I have decided that the time is right to step down from my role as Chairman of the board on announcement of these preliminary results.

I am delighted to announce that Eric Sepkes has agreed to become Chairman of the Group.

Eric is a very well known figure in the global banking community, with particular interests in international payments, cash management and trade finance. Eric completed 38 years with Citigroup where he held various management positions, including Operations and Treasury and Cash Management, and most recently held a senior strategic role in Global Transaction Services.

Eric has been involved in Payment Infrastructures since 1985, when he was responsible for managing Citibank's entry into CHAPS (Clearing House Automatic Payment System) where he was director for 12 years and Chairman for 3 years. He was Chairman and Deputy Chairman of the Euro Banking Association between 1994 and 2005. He was the founder and coordinator of the European Payments Group (formerly Heathrow Group) and was a member of both APACS (the UK trade association for payments and for those institutions that deliver payment services to customers) and the European Council. Latterly he was a member of APACS Senior Sponsors Committee for Faster Payments in the UK.

Eric is a well known industry speaker and event chairman retaining key roles at many industry events including International Payments Systems week and the Supply Chain Management Forum.

I welcome Eric to the Board and to the position of Chairman.

Outlook

We started the year with a very substantial level of contracted revenues for 2008 in the above mentioned areas of our business. We also have a strong pipeline of new or incremental revenue in each of our core areas of business. We are aggressively pursuing these opportunities, which we believe should have a significant impact on our trading performance in 2008 and beyond. We will dispose of non-core businesses as the opportunity arises.

I am pleased to report that our trading performance in Q1 2008 was significantly ahead of that seen in the comparative period with cash balances broadly similar to those held at 31 December 2007. We are working towards improving these results further during 2008 and beyond.

Alan Howarth
Chairman
28 April 2008

Group income statement
For the year ended 31 December 2007

	Notes	31 December 2007 £'000	31 December 2006 £'000
Revenue	2	13,423	14,522
Cost of goods sold		(7,192)	(6,928)
Gross profit		6,231	7,594
Administrative expenses		(9,184)	(8,124)
Trading loss	2	(2,953)	(530)
Finance revenue		107	132
Finance costs		(23)	(16)
Loss before taxation		(2,869)	(414)
Taxation		449	40
Attributable to equity holders of the parent	5	(2,420)	(374)
Loss per share (total and continuing)			
Basic loss per share - pence	3	(4.74)	(0.74)
Diluted loss per share - pence	3	(4.74)	(0.74)

Group statement of recognised income and expense
For the year ended 31 December 2007

	2007 £'000	2006 £'000
Exchange differences on translation of foreign operations	68	(103)
Net income / (expense) recognised directly in equity	68	(103)
Attributable loss for the period	(2,420)	(374)
Total recognised income and expense for the period	(2,352)	(477)

Group balance sheet
At 31 December 2007

	Notes	31 December 2007 £'000	31 December 2006 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,327	1,195
Intangible assets		6,086	5,879
		<u>7,413</u>	<u>7,074</u>
Current assets			
Trade and other receivables		3,650	3,543
Inventories		100	0
Income tax receivable		374	305
Other financial assets		20	32
Cash and cash equivalents		2,300	3,557
		<u>6,444</u>	<u>7,437</u>
TOTAL ASSETS	2	<u><u>13,857</u></u>	<u><u>14,511</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Called up equity share capital		2,643	2,518
Share premium account		12,564	10,037
Other reserves		1,039	1,039
Foreign currency translation reserve		(64)	(132)
Retained earnings		(8,761)	(6,383)
	5	<u>7,421</u>	<u>7,079</u>
Non-current liabilities			
Deferred income		715	1,562
Provisions		0	90
Current liabilities			
Income tax payable		61	121
Trade and other payables		5,460	5,659
Provisions		200	0
Total liabilities	2	<u>6,436</u>	<u>7,432</u>
TOTAL EQUITY AND LIABILITIES		<u><u>13,857</u></u>	<u><u>14,511</u></u>

Group cashflow statement

	31 December 2007 £'000	31 December 2006 £'000
Cash flows from operating activities		
Loss before taxation	(2,869)	(414)
Depreciation, amortisation and impairment	741	481
Share based payment expense/(credit)	42	(36)
Increase in inventories	(100)	0
(Increase)/Decrease in trade and other receivables	(188)	1,337
(Decrease)/Increase in trade and other payables	(1,151)	1,408
Movement in provisions	110	33
Net finance income	84	116
	<hr/>	<hr/>
Cash (outflow)/inflow from operations	(3,331)	2,925
Net income taxes received	474	-
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(2,857)	2,925
Cash flows from investing activities		
Interest received	(107)	(132)
Purchase of property, plant and equipment	(324)	(180)
Payments to acquire intangible fixed assets	(662)	(956)
	<hr/>	<hr/>
Net cash used in investing activities	(1,093)	(1,268)
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	2,750	33
Share issue costs	(98)	-
Interest paid	11	8
Decrease in obligations under finance leases	-	(59)
	<hr/>	<hr/>
Net cash generated by/(used in) financing activities	2,663	(18)
Net (decrease)/ increase in cash and cash equivalents	(1,287)	1,639
Cash and cash equivalents at beginning of period	3,557	1,973
Exchange adjustments	30	(55)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>2,300</u>	<u>3,557</u>

Notes to the financial information

1 Basis of preparation

The financial information contained herein does not constitute the company's statutory accounts for the years ended 31 December 2007 or 2006 but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 1985, s 237(2) or (3).

The financial statements are prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2 Segmental information

The primary segment reporting format is determined to be geographical segments as the group's risks and rates of return are affected predominantly by differences in geography. Secondary segment information is reported by business segment. The operating businesses are organised and managed separately according to geography, with each segment representing a strategic business unit that offers the Clareti range of solutions to market.

The group's geographical segments are based on the location of the group's assets. Sales to external customers disclosed in geographic segments are based on the geographical location of its customers and destination. The geographic segments relate primarily to operations in the following countries: Asia Pacific: Australia and Malaysia; EMEA: UK and Northern Europe; North America: United States of America, Canada and the Caribbean.

The real time financial solutions segment is a supplier of solutions predominantly to the finance and banking markets. Included within the real time financial solutions segment is the group's IT staff placement business and, because this business contributes significant revenues, certain additional information concerning the results of this business have been provided to aid understanding of the overall segment results. The storage solutions segment is a supplier of solutions predominantly to the enterprise level storage market.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Primary reporting format - Geographical segments

The following tables present revenue and profit/loss and certain asset and liability information regarding the group's geographical segments for the years ended 31 December 2007 and 2006, all of which are continuing.

Revenue by source	Year ended 31 December 2007			Year ended 31 December 2006		
	Segment revenue	Inter-segment sales	Sales to external customers	Segment revenue	Inter-segment sales	Sales to external customers
	£'000	£'000	£'000	£'000	£'000	£'000
Asia Pacific	2,034	(755)	1,279	2,384	(613)	1,771
EMEA	8,203	(14)	8,189	8,869	(54)	8,815
North America	5,770	(1,815)	3,955	3,936	0	3,936
	<u>16,007</u>	<u>(2,584)</u>	<u>13,423</u>	<u>15,189</u>	<u>(667)</u>	<u>14,522</u>

Result by segment	Year ended 31 December 2007				Year ended 31 December 2006			
	Asia Pacific	EMEA	North America	Total	Asia Pacific	EMEA	North America	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment result	(555)	(272)	(406)	(1,233)	(81)	95	711	725
Unallocated expenses				<u>(1,720)</u>				<u>(1,255)</u>
Trading loss				<u>(2,953)</u>				<u>(530)</u>
Net finance revenue				<u>84</u>				<u>116</u>
Loss before income tax				<u>(2,869)</u>				<u>(414)</u>
Income tax credit				<u>449</u>				<u>40</u>
Net loss for the year				<u><u>(2,420)</u></u>				<u><u>(374)</u></u>

Assets by segment	Year ended 31 December 2007				Year ended 31 December 2006			
	Asia	EMEA	North	Total	Asia	EMEA	North	Total
	Pacific		America		Pacific		America	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets	1,670	5,684	2,911	10,265	1,438	5,943	2,166	9,547
Unallocated assets				3,592				4,964
Total assets				13,857				14,511
Segment liabilities	(690)	(3,863)	(1,814)	(6,367)	(342)	(5,219)	(1,536)	(7,097)
Unallocated liabilities				(69)				(335)
Total liabilities				(6,436)				(7,432)

Unallocated assets and liabilities comprise certain property, plant and equipment, cash and taxation.

Secondary reporting format - Business segments

The following tables present revenue, expenditure and certain asset information regarding the group's business segments for the years ended 31 December 2007 and 2006.

Revenue by business segment

	2007	2006
	£'000	£'000
Real Time Financial Solutions	10,969	11,823
Storage Solutions	2,454	2,699
	<u>13,423</u>	<u>14,522</u>

Included in the Real Time Financial Solutions business segment is £2,952,000 of revenue in respect of the IT staff placement business (2006: £3,411,000).

3 Loss per ordinary share

Basic loss per share amounts are calculated by dividing net loss or profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss or profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares except when such dilutive instruments would reduce the loss per share.

The following reflects the loss and share data used in the basic and diluted loss per share computations:

	2007	2006
	£'000	£'000
Net loss attributable to equity holders of the parent	<u>(2,420)</u>	<u>(374)</u>
Basic weighted average number of shares	51,042,671	50,293,800
Dilutive potential ordinary shares:		
Employee share options	-	-
Diluted weighted average number of shares	<u>51,042,671</u>	<u>50,293,800</u>
Basic loss per share - pence	(4.74)	(0.74)
Diluted loss per share - pence	(4.74)	(0.74)

The employee share options are not dilutive because they would reduce the loss per share in both years.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

4 Dividends paid and proposed

No dividends were declared or paid during the year and no dividends are proposed for approval at the AGM (2006: None).

5 Reconciliation of movements in equity

	Share capital	Share premium	Other reserves	Currency translation reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2006	2,513	10,009	1,039	(29)	(5,973)	7,559
Exchange differences on translation of foreign operations	0	0	0	(103)	0	(103)
Share based payment expense	0	0	0	0	(36)	(36)
Issue of shares	5	28	0	0	0	33
Share issue costs	0	0	0	0	0	0
Attributable loss for the period	0	0	0	0	(374)	(374)
At 31 December 2006	2,518	10,037	1,039	(132)	(6,383)	7,079
Exchange differences on translation of foreign operations	0	0	0	68	0	68
Share based payment income	0	0	0	0	42	42
Issue of shares	125	2,625	0	0	0	2,750
Share issue costs	0	(98)	0	0	0	(98)
Attributable loss for the period	0	0	0	0	(2,420)	(2,420)
At 31 December 2007	2,643	12,564	1,039	(64)	(8,761)	7,421

END