

Company Gresham Computing PLC
TIDM GHT
Headline Interim Results
Released 07:00 28-Aug-2009
Number 1571Y07



28 August 2009

Gresham Computing plc
("Gresham" or "the Company")
Half-Yearly Report

Gresham Computing plc (LSE:GHT), the specialist provider of real-time financial solutions and storage solutions, announces its unaudited interim results for the six months ended 30 June 2009.

Financial Highlights

- Revenue £5.6m (H1 2008: £7.2m);
- Administrative costs reduced;
- Adjusted EBITDA loss was £0.36m (H1 2008: profit £0.04m);
- Cash at period end was £1.1m, strengthening to £1.3m at the date of these results (at 31 December 2008: £1.2m); and
- Sale and leaseback of head office completed in May 2009.

Operational Highlights

- Good progress with landmark contract win in April 2009 with a global banking group which is expected to have a material impact on future performance;
- Restructuring of Group to focus on growing annuity revenues from real-time financial solutions to be completed by end of 2009; and
- Growth of long-term annuity revenues via our banking partners.

Andrew Walton-Green, CEO of Gresham, commented, "Gresham has a number of very strong cash generative established businesses with diversified customer bases giving us a solid platform from which to build our future growth. The Board intends to complete its restructuring by the year end, refocusing the business on the markets which we believe have the largest potential, whilst matching cost and recurring income. We are pleased with the progress of the recently won global banking group project, and have visibility over a pipeline which is far greater than we first anticipated. We therefore look forward to a much improved second half."

For further information please contact:

Gresham Computing Plc

Andrew Walton-Green, CEO or Eric Sepkes, Chairman

KBC Peel Hunt

Capel Irwin, Daniel Harris

ICIS

Bob Huxford, Caroline Evans-Jones or Fiona Conroy

+44 (0) 20 7653 0200

+44 (0) 20 7418 8900

+44 (0) 20 7651 8688

28 August 2009

GRESHAM COMPUTING plc
("Gresham", the "group" or the "company")
HALF-YEARLY REPORT FOR THE 6 MONTHS ENDED 30 JUNE 2009

Gresham, the specialist provider of real-time financial solutions and storage solutions, announces its un-audited half-yearly results for the six months ended 30 June 2009.

Introduction

These results reflect the period of transition currently being undertaken by the Group in order to more fully exploit the growth areas of real-time financial solutions. Gresham has traditionally consisted of several businesses delivering IT services and staff into the financial services and other industries. During the past five years the Company has identified significant opportunities within the area of real-time financial solutions and has made considerable investment to exploit this area.

In order to achieve our strategic objectives, the Board is restructuring the Group with the aim of significantly de-risking financial performance by matching costs to recurring revenues. We believe that this strategy represents the best way forward for the Group, providing a stable platform from which to continue to build new annuity revenues in real-time financial solutions. We expect to have substantially completed this alignment of cost to revenues during 2009. Further to this, the Board has continued disposing of non-core businesses, providing additional funds to support our strategy.

Gresham's strategy is to grow annuity revenues from the real-time financial solutions market, building on our existing annuity revenues from our more established products.

The Board is confident that the Company's enhanced focus, stable platform and annuity revenue strategy leaves Gresham well positioned to exploit the growing opportunities in this market-place. The Board expects to see evidence of good progress in this respect during the second half of the year.

Progress with Global Banking Group

As announced in April this year, a key achievement during the period was the signing of a significant contract with a global banking group for our cash management, payment gateway and cash reporting solutions, which will be rolled out by the bank to its corporate customers. The contract was designed to enable the bank to build significant annuity revenues over time by delivering added value services to their Tier 1 customer base in key market sectors. The size of our related sales pipeline has exceeded our initial expectations and we are currently working with the bank to close a number of major customer contracts.

A significant proportion of Gresham's resource has been, and continues to be, engaged in the development, deployment and integration of the solutions set out in the contract. The level of resource allocated to the project has impacted our results in the short-term. However, we believe this investment is warranted as annuity revenue to Gresham per customer, secured via the bank, is expected to range from approximately £50,000 to £500,000 per annum depending on the size of the deal. Set-up revenues earned by Gresham will depend upon the complexity of each client solution.

Financial Review

Revenue for the period was £5.6m (H1 2008: £7.2m), a reduction of £1.6m arising predominantly from the planned reduction in IT Placement revenues of £0.9m and £0.3m from the absence of Redstone revenue (disposed in 2008). On a like-for-like basis, our Storage revenues for the period were increased by £0.3m (and Administration costs by £0.28m) when the underlying USD results are converted to GBP for group reporting. In summary:

- The adjusted EBITDA loss was £0.36m (H1 2008: profit £0.04m);
- Cash at period end was £1.1m, strengthening to £1.3m at the date of these results (at 31 December 2008: £1.2m); and

- The sale and simultaneous leaseback of our head office in Southampton announced in April 2009 duly completed in May 2009 generating a net £0.8m of cash.

First half performance was affected by our level of investment in the global banking group contract, together with ongoing recessionary pressures in the banking and larger corporate markets generally, where IT spending has been cautious.

Operating review

New solutions

As mentioned above, the Group has invested substantial sums over the last five years in bringing a small number of highly functional and innovative real-time financial solutions to market based on its core banking and integration technologies, incorporated within our Clareti product suite. The Board believes that the potential revenue growth from these products is material and that the completion of the restructuring strategy will serve to enhance our ability to deliver in these key areas from a strong platform.

Our Clareti real-time financial solutions consist of:

- **Clareti Cash Reporting.** A technology that accepts multiple types of payment information generated by banks and corporates, normalises the data and passes it on for use by banks or corporates to manage both risk and cash situations. An embodiment of the technology is the Clareti Cash Reporting Service, which provides banks with access to real-time information about payments enabling them to better control liquidity and risk;
- **Clareti Supply Chain Financing.** A technology capable of accepting information from a corporate and presenting that information to its suppliers which, with the presence of a bank, allows that supplier to take early payment of the invoices presented; and
- **Clareti Virtual Accounts.** An application of our Clareti Banking technology or a partner's technology that provides Virtual Accounts functionality to customers of a bank for them to manage cash better.

These combined business lines now generate over £1.2m of annually recurring revenue and the Board expects to see further progress in the second half of this year.

Established solutions

Gresham has three well established businesses that generate strong and reliable cashflows; VME, EDT and Clareti Banking software. These software products are embedded in large organisations and the majority of our revenue arises from annuity software support contracts. In total, these embedded solutions generate over £3.8m of annually recurring revenues:

- Gresham's VME utility software is installed at most of the large users of the Fujitsu VME platform in the UK, including the UK government. The VME market is mature but stable, with the VME hardware platform itself supported until at least 2020;
- Gresham's EDT storage software is installed at over 125 larger customers globally. The market has remained relatively resilient over the past few years despite its maturity and the availability of substitute products. We made progress with Storage Director in the period and have 15 customers using this technology in the HP NonStop, IBM iSeries and open systems markets; and
- Gresham's Clareti Banking software has been sold to 30 financial institutions, where it is deployed as a core banking and deposit management system. The software has wide applicability across the financial sector as a real-time financial solution platform and has further growth potential.

Disposal and restructuring

In line with the Group's strategy, on 27 August 2009 we disposed of a non-core subsidiary, Gresham Software Labs Pty Limited, for a total cash consideration of £470,000, full details of which are included in a separate announcement issued today. Restructuring of our IT Placement business is complete and we anticipate that revenues from this business will have ceased by the end of 2009. A number of Group cost reduction measures are already underway with the aim of delivering on the above strategy, a number of which have been completed.

Board Composition

We are pleased to announce that Max Royde has agreed to join the Board as Non-executive director. Max is a Partner at Kestrel Partners LLP, a smaller company fund management business, having previously been at KBC Peel Hunt, the mid-cap broker, for over 10 years where he latterly held the position as Managing Director responsible for the firm's technology franchise. Further details on Max's appointment are included in a separate announcement issued today. Ted Aves has decided to step down from his role as Non-executive director effective 28 August 2009. The Board would like to thank him for the support he has given Gresham during his time with the Company.

Outlook

Gresham has a number of very strong cash generative established businesses with diversified customer bases giving us a solid platform from which to build our future growth. The Board intends to complete its restructuring by the year end, refocusing the business on the markets which we believe have the largest potential, whilst matching cost and recurring income. We are pleased with the progress of the recently won global banking group project, and have visibility over a pipeline which is far greater than we first anticipated. We therefore look forward to a much improved second half.

Andrew Walton-Green
Chief Executive
27 August 2009

Group income statement For the period ended 30 June 2009

		6 months ended 30 June 2009 Unaudited £'000	6 months ended 30 June 2008 Unaudited £'000	12 months ended 31 December 2008 Audited £'000
Revenue	2	5,604	7,172	13,894
Cost of goods sold		(2,743)	(3,648)	(7,623)
Gross profit		2,861	3,524	6,271
Administrative expenses		(3,860)	(3,990)	(7,090)
Trading loss	2	(999)	(466)	(819)
Loss on disposal of fixed assets		(20)	-	-
Profit on disposal of subsidiary undertaking		-	-	599
Finance revenue		17	31	71
Finance costs		-	-	(2)
Loss before tax	2	(1,002)	(435)	(151)
Taxation	3	237	50	181
Attributable to equity holders of the parent (Loss) / profit per share (total and continuing)	6	(765)	(385)	30
Basic (loss) / profit per share - pence	4	(1.45)	(0.73)	0.06
Diluted (loss) / profit per share - pence	4	(1.45)	(0.73)	0.06

Group statement of recognised income and expense For the period ended 30 June 2009

	6 months ended 30 June 2009 Unaudited	6 months ended 30 June 2008 Unaudited	12 months ended 31 December 2008
--	---	---	--

	£'000	£'000	Audited £'000
Exchange differences on translation of foreign operations	53	51	358
Exchange differences transferred to income statement on disposal of subsidiary undertakings	-	-	(107)
Net income recognised directly in equity	53	51	251
Attributable profit/(loss) for the period	(765)	(385)	30
Total recognised income and expenses for the period	(712)	(334)	281

Group balance sheet At 30 June 2009

	Notes	At 30 June 2009 Unaudited £'000	At 30 June 2008 Unaudited £'000	At 31 December 2008 Audited £'000
Assets				
Non-current assets				
Property, plant & equipment		457	1,314	652
Intangible assets		6,451	6,403	6,810
		6,908	7,717	7,462
Current assets				
Trade and other receivables		2,678	3,629	3,239
Inventories		18	100	20
Income tax receivable		516	440	281
Other financial assets		-	-	-
Cash and cash equivalents		1,134	996	1,214
		4,346	5,165	4,754
Assets held for sale		184	-	860
Total assets		11,438	12,882	13,076
Equity & Liabilities				
Equity attributable to equity holders of the parent				
Called up equity share capital	6	2,643	2,643	2,643
Share premium account	6	12,564	12,564	12,564
Other reserves	6	1,039	1,039	1,039
Foreign currency translation reserve	6	240	5	187
Retained earnings	6	(9,263)	(8,966)	(8,576)
	6	7,223	7,285	7,857
Non-current liabilities				
Deferred income		210	565	278
Financial liabilities		-	-	59
Provisions		160	200	160
		370	765	497
Current liabilities				
Trade, other payables and deferred income		3,821	4,766	4,572
Financial liabilities		-	-	28
Income tax payable		24	66	122
Provisions		-	-	-
		3,845	4,832	4,722
Total liabilities		4,215	5,597	5,219
Total equity and liabilities		11,438	12,882	13,076

Group cashflow statement

For the period ended 30 June 2009

	6 months ended 30 June 2009 Unaudited £'000	6 months ended 30 June 2008 Unaudited £'000	12 months ended 31 December 2008 Audited £'000
Cash flows from operating activities			
Loss before taxation	(1,002)	(435)	(151)
Depreciation, amortisation & impairment	545	321	1,020
Share based payment expense	78	180	155
Increase in inventories	(1)	-	(20)
Decrease in trade and other receivables	515	21	385
Decrease in trade and other payables	(483)	(868)	(1,295)
Movement in provisions	-	-	(40)
Loss on disposal of fixed assets	20	-	-
Gain on disposal of subsidiary undertakings	-	-	(599)
Net finance income	(17)	(51)	(89)
Cash outflow from operations	(345)	(832)	(634)
Net income taxes (paid)/received	(63)	-	362
Net cash outflow from operating activities	(408)	(832)	(272)
Cash flows from investing activities			
Interest received	17	51	91
Net disposal of fixed assets	771	-	-
Disposal of subsidiary undertakings	-	-	409
Cash categorised as held for sale for disposal group	(13)	-	-
Purchase of property, plant and equipment	(114)	(94)	(213)
Payments to acquire intangible fixed assets	(300)	(445)	(1,212)
Net cash generated/(used) in investing activities	361	(488)	(925)
Cash flows from financing activities			
Interest paid	-	-	(2)
Repayment of capital element of finance lease	(14)	-	(2)
Net cash used by financing activities	(14)	-	(4)
Net decrease in cash and cash equivalents	(61)	(1,320)	(1,201)
Cash and cash equivalents at beginning of period	1,214	2,300	2,300
Exchange adjustments	(19)	16	115
Cash and cash equivalents at end of period	1,134	996	1,214

Notes to the condensed interim financial statements

1 Basis of preparation

These condensed interim financial statements are unaudited and do not constitute statutory accounts within the meaning of s240 of the Companies Act 1985. The condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the Listing Rules of the Financial Services Authority ('FSA'). The accounting policies applied in these interim financial statements are consistent with those applied in the Group's most recent annual financial statements. The condensed interim financial statements were approved on behalf of the Board by C Errington and A Walton-Green on 27 August 2009.

Copies of these interim financial statements are available on request by writing to the Company Secretary at our registered office Gresham Computing plc, Sopwith House, Brook Avenue, Warsash, Southampton, SO31 9ZA, or from our website www.gresham-computing.com

The financial statements for the year ended 31 December 2008, which were prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, have been delivered to the Registrar of

Companies. The auditors' opinion on those financial statements was unqualified and did not contain a statement made under s237 (2) or (3) of the Companies Act 1985.

2 Segmental information

Primary reporting - Geographical segments

Revenue by source	Period ended 30 June 2009			Period ended 30 June 2008		
	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	1,158	(74)	1,084	1,707	(165)	1,542
EMEA	2,533	-	2,533	3,843	(11)	3,832
North America	1,987	-	1,987	1,798	-	1,798
	5,678	(74)	5,604	7,348	(176)	7,172

Result by segment	Period ended 30 June 2009				Period ended 30 June 2008			
	Asia Pacific	EMEA	North America	Total	Asia Pacific	EMEA	North America	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment result	(231)	36	(273)	(468)	(50)	357	(90)	217
Unallocated expenses				(531)				(683)
Trading loss				(999)				(466)
Loss on disposal of fixed assets				(20)				-
Net finance revenue				17				31
Loss before income tax credit				(1,002)				(435)
Income tax credit				237				50
Net loss for the period				(765)				(385)

Secondary reporting - Business segments

Revenue by business segment	Period ended 30 June 2009		Period ended 30 June 2008	
	£'000	£'000	£'000	£'000
Real Time Financial Solutions	3,613		4,568	
IT Staff placement business	654		1,515	
			4,267	6,083
Storage solutions			1,337	1,089
			5,604	7,172

Result by business segment	Period ended 30 June 2009			Period ended 30 June 2008		
	RTFS	Storage	Total	RTFS	Storage	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Segment result	(119)	(349)	(468)	47	170	217
Unallocated expenses			(531)			(683)
Trading loss			(999)			(466)
Loss on disposal of fixed assets			(20)			-
Net finance revenue			17			31
Loss before income tax credit			(1,002)			(435)
Income tax credit			237			50
Net loss for the period			(765)			(385)

3 Taxation

	6 months ended 30 June 2009 Unaudited £'000	6 months ended 30 June 2008 Unaudited £'000	12 months ended 31 December 2008 Audited £'000
<i>UK Tax</i>			
Research and development credit	(156)	(72)	(281)
<i>Foreign tax</i>			
Corporation tax	(90)	22	66
Withholding tax charge	9	-	34
Tax credit	(237)	(50)	(181)

4 Loss per ordinary share

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

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period 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.

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

	6 months ended 30 June 2009 Unaudited £'000	6 months ended 30 June 2008 Unaudited £'000	12 months ended 31 December 2008 Audited £'000
Net loss attributable to equity holders of the parent	(765)	(385)	30
	Number	Number	Number
Basic weighted average number of shares	52,850,890	52,850,890	52,850,890
Dilutive potential ordinary shares:			
Employee share options	-	-	-
Diluted weighted average number of shares	52,850,890	52,850,890	52,850,890

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 this interim statement.

5 Dividends paid and proposed

No dividends were declared or paid during the period or comparative periods.

6 Reconciliation of movements in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2008	2,643	12,564	1,039	(64)	(8,761)	7,421
Exchange differences on translation of foreign operations	-	-	-	69	-	69
Share based expense recognised in the income statement	-	-	-	-	180	180

Attributable loss for the period	-	-	-	-	(385)	(385)
At 30 June 2008	2,643	12,564	1,039	5	(8,966)	7,285
Exchange differences on translation of foreign operations	-	-	-	289	-	289
Share based income recognised in the income statement	-	-	-	-	(25)	(25)
Exchange differences on disposal/closure of subsidiary	-	-	-	(107)	-	(107)
Attributable loss for the period	-	-	-	-	415	415
At 31 December 2008	2,643	12,564	1,039	187	(8,576)	7,857
Exchange differences on translation of foreign operations	-	-	-	53	-	53
Share based expense recognised in the income statement	-	-	-	-	78	78
Attributable loss for the period	-	-	-	-	(765)	(765)
At 30 June 2009	2,643	12,564	1,039	240	(9,263)	7,223

7 Principal risks and uncertainties

The principal risks and uncertainties facing the Group are disclosed in the Group's financial statements for the year ended 31 December 2008, available from www.gresham-computing.com and remain unchanged.

8 Adjusted EBITDA reconciliation

Adjusted EBITDA is calculated as EBITDA before non-cash share option charges, reconciled as follows:

	6 months ended 30 June 2009 £'000	6 months ended 30 June 2008 £'000
Loss before tax	(1,002)	(435)
Amortisation and depreciation	545	321
Share option charges	78	180
Interest net	17	(31)
Adjusted EBITDA (loss)/profit	(362)	35

9 Statement of directors' responsibilities

The Directors are responsible for preparing the half-yearly financial report, in accordance with applicable law and regulations.

The Directors confirm, to the best of their knowledge that this condensed set of financial statements:

- has been prepared in accordance with IAS 34 as adopted by the European Union; and
- includes a fair review of the information required by Rules 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority.

This information is provided by RNS
The company news service from the London Stock Exchange

END