

Company Gresham Computing PLC
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Headline Half Yearly Report
Released 07:00 27-July-2011
Number 1266L07



27 July 2011

Gresham Computing plc (“Gresham” or the “Company” or the “Group”) Half-yearly report

Gresham Computing plc, the specialist provider of software based solutions that enable customers to achieve real-time financial certainty in transaction and cash management, is pleased to report its half-yearly results for the 6 months ended 30 June 2011.

Revenues, profits and the financial position of the Company at 30 June 2011 are all in line with the Board’s expectations and significantly improved on the prior period.

Highlights for the 6 months ended 30 June 2011 are set out below:

- Underlying revenues up 32%, with Real-Time Financial Solutions up 52%;
- Adjusted EBITDA profit £0.8m (H1 2010: £0.2m);
- Profit before tax £0.6m (H1 2010: £0.1m);
- Cash £2.9m (31 Dec 2010 £3.1m);
- Confirmed order book and pipeline strong for remainder of 2011;
- Significant new contract win in July 2011 worth approximately £3m over 5 years:
 - New major bank customer
 - Integrated transaction and cash management solution
 - Improved future revenue visibility

Chris Errington, CEO of Gresham, commented:

“I am pleased with our performance so far in 2011 and remain excited about our prospects for 2011 and beyond. The significant contract win announced in July 2011 was secured as a result of our extensive experience of providing this type of integrated transaction and cash solution and I am pleased to add a major new bank to our customer list.”

Gresham Computing plc
Chris Errington, CEO
Rob Grubb, CFO

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CEO Operational Review

Gresham Computing plc is a specialist provider of software based solutions that enable customers to achieve real-time financial certainty in transaction and cash management. We aim to be the market leader in transaction integrity solutions – giving financial institutions and their customers, real-time financial certainty in their transaction processing.

Results for the 6 months to 30 June 2011 were significantly improved on prior periods, with underlying revenues up 32% and profit before tax up over 10 times. The Real-Time Financial Solutions business led the way with a 52% increase in revenues arising primarily from growth in our transaction and cash solutions. The Software business also delivered a creditable performance and was slightly ahead of our expectations at the half year.

Our financial position remains strong and on 20 July 2011 we announced a significant contract win with a new major bank customer which provides us with good visibility over approximately £3m of revenues for the five year term.

Financial Review

Trading

The following table summarises the Group's financial performance:

	6 months 30 June 2011	6 months 30 June 2010	
	£m	£m	%
Software	1.6	1.6	0%
Real-time financial solutions	3.8	2.5	52%
Underlying revenues	5.4	4.1	32%
IT staff placement business	0.0	0.2	-100%
Total revenues	5.4	4.3	27%
Profit before tax	0.6	0.1	
Amortisation and depreciation charges	0.1	0.1	
Share option charges	0.1	0.0	
Adjusted EBITDA profit	0.8	0.2	

Underlying revenues grew 32% to £5.4m in the first half, with growth wholly attributable to our Real-Time Financial Solutions business, which itself grew 52% to £3.8m compared to £2.5m in H1 2010. This growth was driven by strong demand for professional services at a number of major bank customers, which will in turn lead to a growth in SaaS revenues earned from a usage basis model as the solutions are rolled out to customers. The Software business performed slightly ahead of our expectations delivering comparable results to H1 2010.

Overall, approximately 50% of our revenues arose from annuity maintenance and SaaS contracts, with a further 40% from professional services work and the remaining 10% from sales of licenses.

In our Real-Time Financial Solutions business, approximately 40% of our revenues arose from annuity maintenance and SaaS contracts, just under 60% from professional services and a small amount from license sales. We saw a strong growth in professional services revenues in the first half, which will lead to annuity income growth in the medium to long term as customers use our solutions and we earn SaaS revenues from that usage.

In our Software business, approximately 80% of our revenues arose from annuity maintenance and SaaS contracts and the remaining 20% from sales of licenses.

We have a strong pipeline of work for the remainder of 2011 and beyond together with a large and growing annuity income base.

Working capital and cash

	2011	2010
	£m	£m
Cash at 1 January	3.1	0.7
Net cash inflow from operating activities	0.4	0.0
Net cash (used in) / generated from investing activities	(0.6)	0.3
Net cash generated from financing activities	0.0	0.9
Cash at 30 June	<u>2.9</u>	<u>1.9</u>

Cash was in line with our expectations taking into account the seasonality of maintenance incomes and our continued investment in tangible and intangible assets associated with new product development.

Taxation

At 30 June 2011, the Group had total tax losses carried forward for offset against future trading profits of approximately £15m. As a result, the Group has no material tax charge or liability and should be sheltered from UK tax in particular for quite some time.

For the period to 30 June 2011, the Group has recorded a tax credit of £0.05m in connection with a research and development tax credit related to new product development.

Strategy and vision

Our strategy is to build long term annuity revenues from existing and new customers to increase the visibility of revenues going into future years.

Our mission is to deliver software and consultancy services to financial services market participants, helping them to achieve real-time financial certainty in transaction processing for themselves and their customers.

Our vision is to be the market leader in transaction integrity solutions – giving financial institutions and their customers, real-time financial certainty in their transaction processing.

We started a graduate recruitment program in the first half to bring in and train new talent to support future growth. I am pleased to say that we have now recruited two UK graduates under this program and are looking to secure a further two in the second half.

Investment in development of new solutions

We continue to invest a proportion of near term operating cash in the development of new solutions to improve the growth opportunities available to us both from new offerings but also from upgrades to our existing products for the benefit of customers. Alongside this, we are investing in our sales and marketing capabilities ahead of bringing this new technology to market.

Outlook

We expect trading for the second half of 2011 to continue slightly ahead of the performance seen in the first half of the year, in line with our recently upgraded market expectations of 20 July 2011.

We see the market for integrated cash and transaction management solutions strengthening as banks focus their attention on transaction and cash areas (transaction banking) alongside risk and liquidity management. The significant contract win announced on 20 July 2011 is for us indicative of a general increase in bank spending on transaction and cash based solutions that add value to their core businesses.

Chris Errington
CEO
26 July 2011

Consolidated Income Statement
For the period ended 30 June 2011

		<i>Restated</i>	
	6 months ended 30 June 2011	6 months ended 30 June 2010	12 months ended 31 December 2010
	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	2	5,430	9,133
Cost of goods sold		(1,087)	(1,763)
Gross profit		4,343	7,370
Administrative expenses		(3,788)	(7,085)
Trading profit		555	285
Finance revenue		24	7
Finance costs		(10)	(21)
Profit before tax		569	271
Taxation	3	50	285
Attributable to equity holders of the parent	2, 6	619	556
Earnings per share (total and continuing)			
Basic earnings per share - pence	4	1.06	1.00
Diluted earnings per share - pence	4	0.97	0.99

All activities were continuing during the year.

Consolidated Statement of Comprehensive Income
For the period ended 30 June 2011

	6 months ended 30 June 2011	6 months ended 30 June 2010	12 months ended 31 December 2010
	Unaudited £'000	Unaudited £'000	Audited £'000
Attributable profit for the period	619	147	556
<i>Other comprehensive income</i>			
Exchange differences on translation of foreign operations	26	2	85
Net income recognised directly in equity	26	2	85
Total comprehensive income for the year	645	149	641

Consolidated Statement of Financial Position
At 30 June 2011

		At 30 June 2011 Unaudited £'000	At 30 June 2010 Unaudited £'000	At 31 December 2010 Audited £'000
Assets	Notes			
Non-current assets				
Property, plant & equipment		339	250	325
Intangible assets		2,349	1,779	1,862
Deferred tax asset		200	100	200
		2,888	2,129	2,387
Current assets				
Trade and other receivables		2,304	2,179	3,068
Income tax receivable		197	77	146
Cash and cash equivalents		2,909	1,855	3,146
		5,410	4,111	6,360
Total assets		8,298	6,240	8,747
Equity & Liabilities				
Equity attributable to equity holders of the parent				
Called up equity share capital	6	2,907	2,907	2,907
Share premium account	6	13,124	13,134	13,124
Other reserves	6	1,039	1,039	1,039
Foreign currency translation reserve	6	372	263	346
Retained earnings	6	(14,696)	(15,618)	(15,440)
	6	2,746	1,725	1,976
Non-current liabilities				
Deferred income		1,151	342	1,206
Provisions		411	452	423
		1,562	794	1,629
Current liabilities				
Trade, other payables and deferred income		3,925	3,681	5,077
Income tax payable		2	2	2
Provisions		63	38	63
		3,990	3,721	5,142
Total liabilities		5,552	4,515	6,771
Total equity and liabilities		8,298	6,240	8,747

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2010	2,643	12,614	1,039	261	(15,783)	774
Attributable profit for the period	-	-	-	-	147	147
Other comprehensive income	-	-	-	2	-	2
Total comprehensive	-	-	-	2	147	149
Share issue (note 6)	264	520	-	-	-	784
Share based payment	-	-	-	-	18	18
At 30 June 2010	2,907	13,134	1,039	263	(15,618)	1,725
Attributable profit for the period	-	-	-	-	409	409
Other comprehensive income	-	-	-	83	-	83
Total comprehensive	-	-	-	83	409	492
Adjustment to VAT on previous share issue costs	-	(10)	-	-	-	(10)
Share based payment credit	-	-	-	-	(231)	(231)
At 31 December 2010	2,907	13,124	1,039	346	(15,440)	1,976
Attributable profit for the period	-	-	-	-	619	619
Other comprehensive income	-	-	-	26	-	26
Total comprehensive	-	-	-	26	619	645
Share based payment	-	-	-	-	125	125
At 30 June 2011	2,907	13,124	1,039	372	(14,696)	2,746

Consolidated Statement of Cash flows
For the period ended 30 June 2011

	6 months ended 30 June 2011 Unaudited £'000	6 months ended 30 June 2010 Unaudited £'000	12 months ended 31 December 2010 Audited £'000
Cash flows from operating activities			
Profit before taxation	569	53	271
Depreciation, amortisation & impairment	132	127	492
Share based payment expense / (credit)	125	18	(213)
Decrease / (increase) in trade and other receivables	793	454	(497)
(Decrease) / increase in trade and other payables	(1,206)	(756)	1,521
Movement in provisions	(12)	(172)	(176)
Revaluation of foreign exchange instrument	-	-	(17)
Net finance (charge) / income	(21)	1	(1)
Cash inflow / (outflow) from operations	380	(275)	1,380
Net income taxes (paid) / received	(1)	257	279
Net cash inflow / (outflow) from operating activities	379	(18)	1,659
Cash flows from investing activities			
Interest received	24	2	7
Disposal of businesses	-	496	496
Purchase of property, plant and equipment	(65)	(91)	(284)
Payments to acquire intangible fixed assets	(574)	(75)	(270)
Net cash (used in) / generated by investing activities	(615)	332	(51)
Cash flows from financing activities			
Interest paid	(3)	(3)	(6)
Receipts from share issue (net of expenses)	-	784	784
Net cash (used in) / generated from financing activities	(3)	781	778
Net (decrease) / increase in cash and cash equivalents	(239)	1,095	2,386
Cash and cash equivalents at beginning of period	3,146	745	745
Exchange adjustments	2	15	15
Cash and cash equivalents at end of period	2,909	1,855	3,146

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 the Companies Act 2006. These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', the Disclosure and Transparency Rules and the Listing Rules of the Financial Services Authority ('FSA'), and were approved on behalf of the Board by the Chief Executive Officer C. Errington on 26 July 2011.

The accounting policies and methods of computation applied in these condensed interim financial statements are consistent with those applied in the Group's most recent annual financial statements for the year ended 31 December 2010.

During the year ended 31 December 2010 the Group changed the classification of some of its staff costs. In previous years and for the six months ended 30 June 2010 previously reported, costs associated with customer facing technical staff were disclosed as Cost of Goods of Sold; however for the year ended 31 December 2010 and 6 months ended 30 June 2011 all staff costs have been disclosed within Administrative expenses. As a result, the Income Statement for the six months ended 30 June 2010 within this report has been restated, with £1,050,000 of staff costs that were previously disclosed within Cost of Goods Sold being reclassified to Administrative expenses.

The financial statements for the year ended 31 December 2010, 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 2006 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 s498(2) or (3) of the Companies Act 2006.

Copies of these condensed interim financial statements and the Group's most recent annual 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

2 Segmental information

The following analysis is presented on a monthly basis to the chief operating decision maker of the business, the Chief Executive Officer, and the Board of Directors.

6 Months Ended 30 June 2011 (unaudited)

	Software £000	North America RTFS £000	Asia Pacific RTFS £000	EMEA RTFS £000	Adjustments, central & eliminations £000	Consolidated £000
<i>Revenue</i>						
External customer	1,587	764	1,004	2,040	35	5,430
Inter-segment	-	-	73	-	(73)	-
Total revenue	1,587	764	1,077	2,040	(38)	5,430
Segment profit/(loss)	1,279	55	77	(865)	73	619
Segment assets	310	391	1,592	1,411	4,594	8,298

6 Months Ended 30 June 2010 (unaudited)

	Software £000	North America RTFS £000	Asia Pacific RTFS £000	EMEA RTFS £000	Adjustments, central & eliminations £000	Consolidated £000
<i>Revenue</i>						
External customer	1,561	933	663	1,116	-	4,273
Inter-segment	-	-	65	-	(65)	-
Total revenue	1,561	933	728	1,116	(65)	4,273
Segment profit/(loss)	1,025	185	(81)	(149)	(833)	147
Segment assets	200	444	1,669	1,072	2,855	6,240

3 Taxation

	6 months ended 30 June 2011 Unaudited £'000	6 months ended 30 June 2010 Unaudited £'000	12 months ended 31 December 2010 Audited £'000
<i>UK Tax</i>			
Corporation tax charge / (credit)	(50)	6	6
<i>Foreign tax</i>			
Corporation tax credit	-	-	(91)
Recognition of deferred tax asset (trading losses)	-	(100)	(200)
Tax credit	(50)	(94)	(285)

4 Earnings per ordinary share

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

Diluted earnings per share amounts are calculated by dividing the net profit 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 profit and share data used in the basic and diluted loss per share computations:

	6 months ended 30 June 2011 Unaudited £'000	6 months ended 30 June 2010 Unaudited £'000	12 months ended 31 December 2010 Audited £'000
Net profit attributable to equity holders of the parent	619	147	556
	Number	Number	Number
Basic weighted average number of shares	58,135,978	53,464,077	55,819,227
Dilutive potential ordinary shares:			
Employee share options	5,871,931	-	582,965
Diluted weighted average number of shares	63,635,978	53,464,077	56,402,192

On 9 June 2010, shareholders approved the allotment and issue of 5,285,088 new ordinary shares (ranking *pari passau* with existing shares in issue) via a placing to existing institutional shareholders. This has been reflected in the basic and diluted weighted average number of shares.

The employee share options are not dilutive for the 6 months ended 30 June 2010 as at that time it was considered unlikely that any outstanding options would be exercised.

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 2010	2,643	12,614	1,039	261	(15,783)	774
Attributable profit for the period	-	-	-	-	147	147
Other comprehensive income	-	-	-	2	-	2
Total comprehensive	-	-	-	2	147	149
Share issue (note 6)	264	520	-	-	-	784
Share based payment	-	-	-	-	18	18
At 30 June 2010	2,907	13,134	1,039	263	(15,618)	1,725
Attributable profit for the period	-	-	-	-	409	409
Other comprehensive income	-	-	-	83	-	83
Total comprehensive	-	-	-	83	409	492
Adjustment to VAT on previous share issue costs	-	(10)	-	-	-	(10)
Share based payment credit	-	-	-	-	(231)	(231)
At 31 December 2010	2,907	13,124	1,039	346	(15,440)	1,976
Attributable profit for the period	-	-	-	-	619	619
Other comprehensive income	-	-	-	26	-	26
Total comprehensive	-	-	-	-	619	645
Share based payment	-	-	-	-	125	125
At 30 June 2011	2,907	13,124	1,039	372	(14,696)	2,746

Issue of Shares

On 9 June 2010, shareholders approved the allotment and issue of 5,285,088 new ordinary shares (ranking *pari passau* with existing shares in issue) via a placing to existing institutional shareholders. The shares were issued on 10 June 2010 at a placing price of 15.75 pence raising £784,000, after expenses of £48,000.

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 2010, 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 2011 £'000	6 months ended 30 June 2010 £'000
Profit before tax	569	53
Amortisation and depreciation	132	127
Share option charges / (credit)	125	18
Interest net	(14)	1
Adjusted EBITDA profit / (loss)	812	199

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.

10 Related Party Transactions

No related party transactions have taken place during the year that have materially affected the financial position or performance of the Company.