



**Gresham Technologies plc**  
Interim Report 2019

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“We’re delighted to report an excellent start to the year signing in excess of £9.7m of new Clareti licence commitments.

The Clareti platform is becoming the new standard for data integrity and control in capital markets, and our cash management business is gathering momentum.”

Ian Manocha, CEO, Gresham

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THE QUEEN'S AWARDS  
FOR ENTERPRISE  
2018

# Highlights

## Group revenues

£12.4m



## Clareti revenues

£8.3m



## Clareti annualised recurring revenues

£9.1m



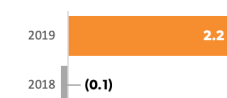
## Adjusted EBITDA

£2.5m



## Adjusted diluted EPS

2.2 pence



## Net cash and financial assets

£8.6m



## Financial highlights

- Group revenues **up 36%** to £12.4m (H1 18: £9.1m).
- Clareti revenues **up 50%** to £8.3m (H1 18: £5.6m).
- Clareti recurring software revenues **up 83%** to £5.5m (H1 18: £3.0m).
- Clareti annualised recurring revenues **up 47%** to £9.1m (30 June 18: £6.2m).
- Adjusted EBITDA **up 525%** to £2.5m (H1 18: £0.4m).
- Cash EBITDA **up 178%** to £0.7m (H1 18: £(0.9)m).

## Operational highlights

- Six new Clareti customers signed in H1 2019.
- Four strategic high value wins.
- Competitor market share gains in data integrity and control.
- Investments in corporate cash management solutions delivering revenue growth.
- Completion of the successful sale of the four decades old non-Clareti VME business
- Management confident in the strategy and outlook for the Group.

All figures have been adjusted for IFRS 15 and IFRS 16 and exclude the discontinued VME operation where applicable.

Adjusted EBITDA refers to earnings before interest, tax, depreciation, Impairment and amortisation, adjusted for one-off exceptional charges and share-based payments.

Cash EBITDA refers to adjusted EBITDA less the cash spend on capitalised development and IFRS 16 expenses.

# Chief Executive review

## Strategic overview

The Group's strategic plan is to create a valuable, modern, enterprise financial technology company that enables organisations to be in control of their data. In today's fast-paced digital world, this is a business imperative and, in certain key industries, it is a regulatory requirement. Our goal is to establish Clareti as the platform of choice for financial markets participants who need to "be data confident" and, over time, to extend the technology into adjacent markets.

Value for shareholders is being created based on high-margin recurring Clareti software and cloud service subscriptions as part of a managed transition away from the Group's older lines of business. These legacy businesses, including third party software reselling, sub-contractor services and VME mainframe and EDT tape storage software, have supported the initial and ongoing investments in Clareti since 2011. Clareti now represents 67% of Group revenues and has delivered software revenue CAGR of 72% over the last 5 years through a mix of upfront licences and subscriptions. During 2019, we are transitioning Clareti to a primarily subscription-based business and, in January 2019, the Group completed the successful sale of the four decades old VME business. Each of these strategic changes have a short-term impact on Group profitability but demonstrate our confidence in the progress of the Clareti business which, on a forward looking basis, we expect to become standalone cash profitable during 2020.

The Clareti platform has a modern, open, scalable and extensible architecture and we have developed specific applications and cloud services in the following three areas: data integrity and control solutions primarily for capital markets; regulatory solutions for financial markets; cash management and payments solutions for banks and corporates. Given the limited success we have seen through our channel partner, we will no longer be pursuing opportunities in loan management and arrangements are being made to dissolve the joint venture with the channel partner this year by mutual agreement.

Our go-to-market strategy predominantly involves deploying direct sales teams into the major financial markets in the UK, Europe and North America. We are investing in alliances and indirect channels to extend our reach and grow market share. Our Asia Pacific business primarily focusses on major account management and supports the Group with global customer support and delivery capabilities.

Our two most recent acquisitions are proving their value to the Group and support our strategic plan. C24 Technologies Limited, acquired in October 2016, provides integration and financial messaging technology, and B2 Group, acquired in July 2018, provides a bank connectivity cloud offering and further extends our reach into continental Europe. We continue to look for opportunities to gain further scale and distribution, as we compete in a marketplace dominated by large vendors and recognise the importance of having scale in the global market.

## Trading update

### Revenue

The Group earns revenues from the sale of software and provision of ancillary consultancy services. The following table summarises the Group's revenue performance in the six months to 30 June 2019:

	H1 2019	H1 2018	Variance	
	£'m	£'m	£'m	%
<b>Revenues</b>				
<b>Clareti Solutions</b>				
Recurring	<b>5.5</b>	3.0	2.5	83%
Non-recurring	<b>0.6</b>	0.8	(0.2)	(25%)
Software	<b>6.1</b>	3.8	2.3	61%
Services	<b>2.2</b>	1.8	0.4	22%
Total	<b>8.3</b>	5.6	2.7	50%
<b>Other Solutions</b>				
Software – Partners	<b>1.4</b>	1.2	0.2	17%
Software – Own solutions	<b>0.4</b>	0.4	-	-
Contracting services	<b>2.3</b>	1.9	0.4	21%
Total	<b>4.1</b>	3.5	0.6	17%
Total from continuing operations	<b>12.4</b>	9.1	3.3	36%
Discontinued operations – Software – Own solutions	<b>0.1</b>	0.4	(0.3)	(84%)
Total Revenue including discontinued operations	<b>12.5</b>	9.5	3.0	32%

### Annualised recurring revenue as at 30 June 2019

Clareti ARR	KPI	<b>9.1</b>	6.2	2.9	47%
Group ARR		<b>11.9</b>	9.9	2.0	20%

In the first half of the year we were pleased to win six new name Clareti customers as well a number of new licences and upgrades with existing customers. Of particular note were four strategically important Clareti wins, each with a total committed software value exceeding £1m representing, collectively, a combined value in excess of £7.8m over the respective committed terms. Three of these wins were for Clareti Transaction Control (CTC) and were concluded following detailed evaluation and tendering processes featuring all the main competitors. The fourth strategic contract was for our cash management initiative with ANZ, further details of which are set out in the Cash management and payments solutions section below.

In line with our plan to underpin future earnings with high quality recurring revenue, all new contracts signed in the period were subscription based, with one exception being a term licence. Licence revenues acquired via B2 also made a contribution and, as a result, our forward looking Clareti annualised recurring revenues (ARR) at the end of the period were 47% higher than a year ago.

Our Clareti professional services revenues were also up strongly compared to H1 2018 reflecting the high level of on-going implementation work generated from new wins, the installed customer base including the Innovation Service being delivered for ANZ.

Other Solutions, the Group's portfolio of legacy revenues, were 17% higher than the same period in 2018 when normalised for the sale of the VME business. This performance was in line with our planning assumptions, with the majority of the growth coming from our lower margin Australian contracting business.

In the first six months, Clareti revenues represented 67% of total Group revenues (H1 18: 62%, H1 17: 49%) and, as at 30 June 2019, Group annualised recurring revenues (Group ARR) are up by 20%.

### Earnings

		H1 2019	H1 2018	Variance	%
Gross margin	£m	<b>11.0</b>	7.7	3.3	43%
Gross margin	%	<b>88</b>	84	4	6%
Adjusted EBITDA (post IFRS16)	KPI £m	<b>2.5</b>	0.4	2.1	525%
Adjusted EBITDA (post IFRS16)	%	<b>20</b>	4	16	400%
Statutory profit/(loss) before tax	£m	<b>0.2</b>	(1.0)	1.2	167%
Adjusted diluted EPS	pence	<b>2.2</b>	(0.1)	2.3	2127%
Adjusted EBITDA (pre IFRS16)	KPI £m	<b>2.2</b>	0.2	2.0	1000%
Adjusted EBITDA (pre IFRS16)	%	<b>18</b>	2	16	800%
Cash EBITDA	KPI £m	<b>0.7</b>	(0.9)	1.6	178%
Cash EBITDA	%	<b>6</b>	(10)	16	1600%

The strong growth from Clareti licence fees, coupled with firm control over costs, has positively impacted the profitability of the Group at the half year point. It should be noted that the table above shows earnings from continuing operations only, removing the highly profitable but steadily declining VME business which was sold in January 2019 and is recorded as a discontinued operation.

We have disclosed adjusted EBITDA at two different levels, together with cash EBITDA, in the table above:

Adjusted EBITDA (post IFRS 16) refers to earnings before interest, tax, depreciation, impairment and amortisation, adjusted for one-off exceptional charges and share-based payments and is stated after the application of IFRS 16 (leases) which reclassified rental expenses as amortisation and interest.

Adjusted EBITDA (pre IFRS 16) refers to earnings before interest, tax, depreciation, impairment and amortisation, adjusted for one-off exceptional charges and share-based payments and is stated prior to the application of IFRS 16 (leases) which reclassified rental expenses as amortisation and interest.

Cash EBITDA is Adjusted EBITDA (pre IFRS 16) less capitalised development spend. We consider this to be the most appropriate indicator of cash profitability for the Group in its current stage of evolution as it removes any variability between capitalisable and operational development spend.

## Cashflow

	H1 2019	H1 2018	Variance	
	£'m	£'m	£'m	%
Opening cash & cash equivalents at 1 <sup>st</sup> January	5.3	8.3	(3.0)	(36%)
Operating cashflow excluding working capital	2.5	0.8	1.7	213%
Movement in working capital	1.0	(0.3)	1.3	433%
Capital expenditure - development costs	(1.6)	(1.2)	(0.4)	(33%)
Capital expenditure - other	(0.1)	(0.1)	-	-
Investing activities - C24 acquisition deferred payment	-	(0.4)	0.4	n/a
Investing activities - Disposal of business	1.7	-	1.7	n/a
Financing activities - dividend paid	(0.3)	(0.3)	-	-
Tax refund	0.8	-	0.8	n/a
Purchase of own shares in employee benefit trust	(0.9)	-	(0.9)	n/a
Other	-	0.2	(0.2)	n/a
Closing cash & cash equivalents at 30 <sup>th</sup> June	8.4	7.0	1.4	20%

The Group continues to be funded from operating cash and has no debt. Operating cashflow has improved as a direct result of improved revenues and firm control over costs, with the movement in working capital largely attributed to an upfront payment of £3.0m for the first three years subscription license fees from one of the four strategic wins in the first half.

Capitalised development costs have increased compared to the prior first half but are consistent with the second half of 2018. This is as a result of increased development focus on new features and functions, largely in the cash management space.

The Group received a net amount of £1.7m through the sale of its legacy VME business, with the £0.3m balance to the sale price being customer advance payments already received at the time of the sale.

The Group paid a dividend of £0.3m which is consistent with the prior year and also collected a tax refund of £0.8m as a result of enhanced relief available for research and development activities.

Following the announcement of its intention to do so in its FY18 results, the Group also purchased a total of £1.0m of its own shares in the period, £0.1m being in respect of employee bonuses for FY18 and £0.9m to pre-fund employee and executive bonus and long-term incentive schemes in future years.

The reduction in the cash and cash equivalent balance between 30 June 2018 and 1 January 2019 is largely explained by the acquisition of the B2 Group which occurred during July 2018 and included an initial cash element of £2.9m.

## Sales, marketing and distribution

The Group now has experienced sales teams in place led by local sales managers in UK and the US, and our acquisition of B2 has given us a new sales office in continental Europe. Direct sales remain our primary route to market and sales cycles tend to involve robust competitive tendering processes, presentations, demonstrations, client references and proofs of concept carried out on real world problems. We intend to further scale our direct sales team in continental Europe in the coming months, supported by an investment into telemarketing and lead generation resources. The next stage of expansion for the United States and Asia Pacific is planned for 2020.

Our investment into alliances, most notably with Cognizant, has helped us deliver two strategic CTC wins in the first half. In addition, we were pleased to see two CTC deals coming via our new OEM partner, RegTek Solutions. We are also partnering with market service providers to white label solutions to their customers. Arrangements of this nature will be increasingly important for scaling distribution and delivery of our technology in data integrity and control and in regulatory solutions where we want to establish Clareti as a market wide standard technology.

In cash management and payments, the global market is fragmented and our own portfolio of offerings is not yet as mature as our data integrity and control solutions. In order to expand our offering in this area, we are partnering with advisory firms for referrals for Clareti Multi-Bank (CMB), providing white labelled solutions working with the transaction banks and are embedding technologies such as C24 and CMB into other vendor solutions. Our intention is to build a specialist cash management and payments sales team over the medium term.

## Customer satisfaction

Our Clareti installed base now stands at over 100 customers and we estimate that our technology is currently used to process approximately 60 billion transactions a year across the financial markets. Our Clareti-as-a Service cloud platform has seen 100% availability since launch and is on-track to process one billion transactions per annum, and our Clareti Multi-Bank service securely controls many billions of dollars of payments each year. We are a mission critical part of our client's business and our continued

success is predicated on having great references which come from delighted customers. This means high quality software, on-time implementations and top-class customer support.

At present, we have over 90 projects running across the globe ranging from large enterprise implementations to small ad-hoc assignments. Our support team received over 2,000 tickets from customers in the first six months of the year. The Group continues to invest in core infrastructure to enable the Clareti business to scale globally. In the last few months we have established a small support team in the US to work with our North America customers as part of our expanding global 24/7 network, taking the pressure off the extended hours service delivered from Bristol and Sydney. We are working with our partner community to take on implementation work and enabling customers to be more self-sufficient. The investments we have made over the last few years have laid important foundations and I am confident we have the leadership and infrastructure to scale and support significant global growth.

### **Technology and innovation platform**

Our modern software development process and our proven innovation model are a significant attraction for many customers. At our Innovation Labs in Bristol and our Innovation Hub in Luxembourg, our use of modern and agile development processes, scalable cloud architectures leveraging containers, microservices and API's, fast cycle releases, and integrated testing are regarded as market leading practices. We continue to enhance our Clareti platform in order to deliver core capabilities that support our three growth initiatives: data integrity and control solutions; regulatory solutions; and cash management and payments solutions.

#### **Data integrity and control solutions**

Our flagship offering, Clareti Transaction Control (CTC), is specifically built to disrupt a market dominated by a small number of legacy vendors whose inflexible technology architectures fail to address the need for more granular and real-time data control across the entirety of a firm's operations. CTC is now seen as the only modern enterprise-grade platform for the control of 'non-standardised' transaction data in financial markets.

We are collaborating with an early adopter group involving four major banks to deliver enhancements for the 'standardised' cash and securities markets that will enable us to accelerate the replacement of legacy solutions. Clareti Cash Control will bring innovation to a neglected global market.

We will also launch a professional edition of Clareti Transaction Control for less complex deployments; a simpler adaptation of the feature rich enterprise edition which has been adopted by the world's largest institutions. We also plan to launch the latest release of our powerful C24 message transformation product as Clareti Integration Studio.

#### **Regulatory solutions**

A year ago, I reported that we were partnering with a major bank to develop industry leading capabilities to help control regulatory 'big data'. That project has now completed successfully, and the bank is using the system to ensure the accuracy of their US regulatory submissions as well as identify the underlying issues that impact the quality of their data. There is an increasing regulatory focus on trade and transaction reporting and a number of other banks are evaluating our exception management and data quality technology which is now packaged as a chargeable addition to CTC.

We do not intend to develop a range of regulation specific applications as this requires deep domain knowledge and ongoing maintenance responsibilities. Rather, we will continue to enhance our core Clareti platform and encourage other vendors to leverage the platform in their own offerings. Trax, the post-trade services and European market data division of MarketAxess was the first example of this and are leveraging our platform to power a sophisticated 3-way reconciliation service to offer transaction reporting services. In March, we signed a partnership with RegTek Solutions, a niche provider of capital market regulatory reporting compliance and control solutions, to OEM our technology in their cloud offering and two new customers have already been signed through that channel. We also signed a leading global clearing house to help them provide risk management services to market participants.

#### **Cash management and payments solutions**

Gresham has a long history of providing customised solutions to the corporate and transaction banking space but we have lacked our own productised applications with broad enough market appeal to drive volume and meaningful market share. Nevertheless, the opportunities presented by PSD2, open banking and API delivered digital services are compelling.

In July 2018, we completed the acquisition of the B2 Group to take advantage of the opportunity in this area. We have combined B2's bank connectivity cloud service with Clareti software acquired from C24 to create the Clareti Multi-Bank offering. Several new customers have been signed in the year since acquiring the business, including one of Europe's leading challenger banks.

Our strategic partnership with ANZ to develop their next generation of cash management offerings is also progressing well, with initial software releases delivered to the bank on time in June. Base level licence subscriptions for the new offering have commenced and are expected to rise significantly over the next few years as the joint programme of work continues and as software is further enhanced and deployed to ANZ customers.

Our focus for the second half of 2019 remains on achieving volume sales of the Clareti Multi-Bank solution, and supplementing that with assets produced through the ANZ partnership in 2020. Over time we expect to have a powerful portfolio of modern cloud cash management and payments solutions.

## Outlook

For the remainder of 2019, our focus for new business generation will continue to be in Europe and North America, whilst our Asia Pacific team will continue to concentrate their efforts on major account management and focus on strategic developments with ANZ. We are pleased to see that our US pipeline has accelerated as we more aggressively target the legacy vendor installed base as well as seeking regulatory driven opportunities. Our European team had a very strong first half and the current period has already started well. On 2 July 2019, an existing customer, one of the world's largest energy companies, agreed to substantially increase their investment in Clareti-as-a-Service and are committed to spend US\$1.4m in cloud subscriptions over the next four years. We expect this momentum to continue with a number of strategic CTC projects in our sights for the second half, along with a regular beat rate of other CTC and Clareti Multi-Bank wins and expansions.

We will continue to closely manage our non-Clareti installed base, on which we already have good visibility, and expect to remain stable for the remainder of the year.

The Group will continue to manage its cost base with investment in the second half of 2019 focused primarily on sales and experienced customer success resources, marketing and lead generation events. I'm delighted to say that, in late September, Gresham will return to Sibos, the banking industry's flagship event, which this year is to be held in London. We will return with confidence and conviction in our growing market standing; our team are proud of the tremendous progress that the business has made in recent years, and we have much to offer an industry that is struggling to cope with the transition to a digital future.

Thank you for your support,

**Ian Manocha**

Chief Executive Officer

23 July 2019



# Consolidated income statement

	Notes	6 months ended 30 June 2019 Unaudited £'000	6 months ended 30 June 2018 Unaudited* £'000	12 months ended 31 December 2018 Audited £'000
Revenue	3	12,440	9,086	19,266
Cost of sales		(1,477)	(1,417)	(3,260)
Gross profit		10,963	7,669	16,006
Adjusted administrative expenses		(9,700)	(8,231)	(17,222)
Adjusted operating profit/(loss)		1,263	(562)	(1,216)
Adjusting administrative items:				
Exceptional items	5	(22)	(195)	(303)
Impairment of development costs		(647)	-	-
Amortisation on acquired intangibles		(397)	(207)	(605)
Share-based payments		(64)	(76)	(161)
		(1,130)	(478)	(1,069)
Total administrative expenses		(10,830)	(8,709)	(18,291)
Statutory operating profit/(loss) from continuing operations		133	(1,040)	(2,285)
Share of post-tax profit of joint venture		35	38	75
Finance revenue		8	14	19
Finance costs		(7)	-	(6)
Profit/(loss) before taxation from continuing operations		169	(988)	(2,197)
Taxation	4	243	434	114
Profit/(loss) after taxation from continuing operations		412	(554)	(2,083)
Net gain on sale of discontinued operations	11	1,985	-	-
Profit after taxation from discontinuing operations	11	53	333	667
Attributable to owners of the Parent		2,450	(221)	(1,416)
<b>Earnings per share</b>				
Statutory				
Basic earnings per share – pence	5	3.60	(0.33)	(2.09)
Diluted earnings per share – pence	5	3.54	(0.33)	(2.09)
Adjusted				
Basic earnings per share – pence	5	2.34	0.38	(0.50)
Diluted earnings per share – pence	5	2.30	0.37	(0.50)
<b>Earnings per share - continuing operations</b>				
Statutory				
Basic earnings per share – pence	5	0.60	(0.82)	(3.07)
Diluted earnings per share – pence	5	0.59	(0.82)	(3.07)
Adjusted				
Basic earnings per share – pence	5	2.26	(0.11)	(1.50)
Diluted earnings per share – pence	5	2.23	(0.11)	(1.50)

\* Period ended 30 June 2018 has been restated for discontinuing operations during the period and IFRS 15 impact.

## Consolidated statement of comprehensive income

	<b>6 months ended 30 June 2019 Unaudited £'000</b>	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
Attributable to the owners of the Parent	<b>2,450</b>	(221)	(1,416)
<i>Other comprehensive income/(expense)</i>			
Items that will or may be re-classified into profit or loss - exchange differences	<b>5</b>	(45)	(68)
Total other comprehensive income/(expense)	<b>5</b>	(45)	(68)
Total comprehensive income/(expense) for the period	<b>2,455</b>	(266)	(1,484)

## Consolidated statement of financial position

	30 June 2019 Unaudited £'000	30 June 2018 Unaudited £'000	31 December 2018 Audited £'000
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	442	493	480
Intangible assets	25,104	20,834	25,340
Interest in joint venture	92	21	57
Right of use asset	1,565	-	-
Deferred tax assets	1,357	2,314	1,166
	<b>28,560</b>	23,662	27,043
<b>Current assets</b>			
Asset held for sale	-	58	74
Trade and other receivables	4,608	3,677	4,639
Income tax receivable	19	82	821
Other financial assets - bank deposits	276	-	278
Cash and cash equivalents	8,365	6,993	5,323
	<b>13,268</b>	10,810	11,135
<b>Total assets</b>	<b>41,828</b>	34,472	38,178
<b>Equity and liabilities</b>			
Equity attributable to owners of the Parent			
Called up equity share capital	3,408	3,380	3,404
Share premium account	3,847	3,632	3,830
Own share reserve	(945)	-	-
Other reserves	536	313	536
Foreign currency translation reserve	(73)	(55)	(78)
Retained earnings	18,761	17,770	16,660
<b>Total equity attributable to owners of the Parent</b>	<b>25,534</b>	25,040	24,352
<b>Non-current liabilities</b>			
Deferred income	1,860	471	486
Provisions	155	49	59
Lease liabilities	1,105	-	-
Deferred tax liability	1,019	545	1,083
Contingent consideration	67	-	67
	<b>4,206</b>	1,065	1,695
<b>Current liabilities</b>			
Liabilities held for sale	-	467	384
Trade and other payables	11,541	7,853	11,716
Income tax payable	5	2	5
Lease liabilities	542	-	-
Provisions	-	45	26
	<b>12,088</b>	8,367	12,131
<b>Total liabilities</b>	<b>16,294</b>	9,432	13,826
<b>Total equity and liabilities</b>	<b>41,828</b>	34,472	38,178

## Consolidated statement of changes in equity

	Share capital	Share premium	Own shares	Other reserves	Currency translation	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2017 (as reported)	3,375	3,562	-	313	(10)	18,275	25,515
Adjustment arising from change in accounting standard IFRS 15:							
Prepaid contract costs	-	-	-	-	-	(142)	(142)
Revenue adjustment	-	-	-	-	-	139	139
Commission expense	-	-	-	-	-	(19)	(19)
At 31 December 2017 (as restated)	3,375	3,562	-	313	(10)	18,253	25,493
Attributable loss for the period	-	-	-	-	-	(221)	(221)
Other comprehensive loss	-	-	-	-	(45)	-	(45)
Total comprehensive loss	-	-	-	-	(45)	(221)	(266)
Exercise of share options	5	70	-	-	-	-	75
Share-based payment expense	-	-	-	-	-	76	76
Dividend	-	-	-	-	-	(338)	(338)
At 30 June 2018	3,380	3,632	-	313	(55)	17,770	25,040
Attributable loss for the period	-	-	-	-	-	(1,195)	(1,195)
Other comprehensive loss	-	-	-	-	(23)	-	(23)
Total comprehensive loss	-	-	-	-	(23)	(1,195)	(1,218)
Share issue proceeds	6	-	-	223	-	-	229
Share transaction costs	-	(10)	-	-	-	-	(10)
Exercise of share options	18	208	-	-	-	-	226
Share-based payment expense	-	-	-	-	-	85	85
At 31 December 2018 (as reported)	3,404	3,830	-	536	(78)	16,660	24,352
Adjustment arising from change in accounting standard IFRS 16	-	-	-	-	-	(74)	(74)
At 31 December 2018 (as restated)	3,404	3,830	-	536	(78)	16,586	24,278
Attributable profit for the period	-	-	-	-	-	2,450	2,450
Other comprehensive income	-	-	-	-	5	-	5
Total comprehensive income	-	-	-	-	5	2,450	2,455
Exercise of share options	4	17	-	-	-	-	21
Share-based payment expense	-	-	-	-	-	64	64
Purchase own shares	-	-	(945)	-	-	-	(945)
Dividend	-	-	-	-	-	(339)	(339)
<b>At 30 June 2019</b>	<b>3,408</b>	<b>3,847</b>	<b>(945)</b>	<b>536</b>	<b>(73)</b>	<b>18,761</b>	<b>25,534</b>

During the period the group purchased via an Employee Benefit Trust a number of its own shares (£945,000) to meet future obligations under the 2018 Employee Remuneration scheme, these shares are shown as a debit within the Group's statement of financial position.

## Consolidated statement of cashflows

	<b>6 months ended 30 June 2019 Unaudited £'000</b>	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
<b>Cashflows from operating activities</b>			
Profit/(loss) after taxation	<b>2,450</b>	(221)	(1,416)
Depreciation, amortisation and impairment	<b>1,991</b>	1,010	2,237
Share-based payment expense	<b>64</b>	76	161
Share of post-tax profit from joint venture	<b>(35)</b>	(38)	(75)
Decrease/(increase) in trade and other receivables	<b>15</b>	1,558	(1,529)
Increase/(decrease) in trade and other payables	<b>1,213</b>	(1,414)	2,045
Movement in deferred tax provisions	<b>(254)</b>	(424)	610
Fair value adjustment on deferred contingent consideration	<b>-</b>	-	(30)
Movement in provisions	<b>80</b>	(1)	2
Profit on disposal of discontinued business	<b>(1,985)</b>	-	-
Net finance income	<b>(1)</b>	(14)	(14)
Cash inflow from operations	<b>3,538</b>	532	1,991
Income taxes received	<b>789</b>	-	96
Income taxes paid	<b>(4)</b>	(56)	(118)
Net cash inflow from operating activities	<b>4,323</b>	476	1,969
<b>Cash flows from investing activities</b>			
Interest received	<b>8</b>	14	19
Decrease/(increase) in financial assets-bank deposits/restricted cash	<b>-</b>	200	(78)
Purchase of property, plant and equipment	<b>(103)</b>	(67)	(188)
Net receipt for disposal of discontinued operations	<b>1,675</b>	-	-
Net payments to acquire subsidiary undertaking	<b>-</b>	(356)	(1,947)
Payments to acquire intangible fixed assets	<b>(1,623)</b>	(1,219)	(2,603)
Net cash used in investing activities	<b>(43)</b>	(1,428)	(4,797)
<b>Cash flows from financing activities</b>			
Interest paid	<b>(7)</b>	-	(6)
Dividend paid	<b>(339)</b>	(338)	(338)
Share issue proceeds	<b>21</b>	76	292
Purchase of own shares	<b>(945)</b>	-	-
Share issue transaction costs	<b>-</b>	-	-
Net cash used in financing activities	<b>(1,270)</b>	(262)	(52)
Net increase/(decrease) in cash and cash equivalents	<b>3,010</b>	(1,214)	(2,880)
Cash and cash equivalents at beginning of period	<b>5,323</b>	8,280	8,280
Exchange adjustments	<b>32</b>	(73)	(77)
Cash and cash equivalents at end of period	<b>8,365</b>	6,993	5,323

# Notes to the interim report

## 1. Basis of preparation

Gresham Technologies plc (LSE: "GHT", "Gresham" or the "Company" or the "Group" or the "Parent") is a Public limited company and is listed on the London Stock Exchange. The Company's registered address is Aldermay House, 10 – 15 Queen Street, London, EC4N 1TX and the Company's registration number is 1072032.

These condensed interim financial statements are unaudited, have not been reviewed by the Group's auditors, and do not constitute statutory accounts within the meaning of the Companies Act 2006.

These condensed interim financial statements have been prepared on a going concern basis and in accordance with IAS 34 'Interim Financial Reporting', the Disclosure and Transparency Rules and the Listing Rules of the Financial Conduct Authority, and were approved on behalf of the Board by the Chief Executive Officer Ian Manocha and Chief Financial Officer Tom Mullan on 22 July 2019.

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 2018.

The financial statements for the year ended 31 December 2018, 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 from the Group's website [www.greshamtech.com](http://www.greshamtech.com) or by writing to the Company Secretary at the Company's registered office.

## 2. Changes in accounting policy

This note explains the impact of the adoption of IFRS 16 *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The group has recognised and measured on a retrospective basis as if rules had always been applied, at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019, the value at 31 December 2018 has been brought into the statement of financial position.

### *Adjustments recognised on adoption of IFRS 16*

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5% plus Libor.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

The group leases various offices and cars globally, rental periods are typically contracted for fixed periods varying between 3 to 5 years but may have extension options. No covenants are imposed.

Until the financial year 2018, leases of property and cars were classified as operating leases. Payments made under operating leases (net of Incentives received from lessor) were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date which the leased asset became available to the Group. Each lease payment is allocated between the lease liability and finance cost, which is charged on a straight-line basis over the term of the lease, the right of use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured at net present value basis, and also include the net present value of any lease incentives. The lease payments are discounted using the incremental borrowing rate detailed above, being the rate the Group would have to pay to borrow the funds externally.

Right of use assets are measured at cost; the amount of the initial measurement of a lease liability, less any Incentives.

On transition, the measurement principles of IFRS 16 have been applied on a modified retrospective basis. As such, the lease liabilities on transition are equal to the present value of the remaining lease payments using the Incremental borrowing rate at the date of initial application to discount, whereas the right of use asset has been measured as if IFRS 16 had always applied but using the Incremental borrowing rate at the date of Initial application; a cumulative adjustment has been made through retained earnings, however comparatives have not been restated. This resulted in a debit to the reserves of £0.1m.

The deemed right of use asset brought onto the statement of financial position at 1 January 2019 is £1.8m (net of amortisation).

The deemed lease liability brought onto the statement of financial position at 1 January 2019 is £1.9m resulting in a debit to the opening reserves of £0.1m.

The impact to EBITDA has benefited from the change in accounting policy by £0.3m, under IAS 17 a charge of £0.4m would have been debited to the income statement.

Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short term leases are those with a lease term of less than 12 months.

The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRSs as adopted by the European Union, the application of new standards and interpretations will be subject to there having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation, but the need for endorsement restricts the Group's discretion to early adopt standards.

### 3. Segmental information

The segmental disclosures reflect the analysis presented on a monthly basis to the chief operating decision maker of the business, the Chief Executive and the Board of Directors.

In addition, split of revenues and non-current assets by the UK and overseas have been included as they are specifically required by IFRS 8 Operating Segments.

For management purposes, the Group is organised into the following reportable segments:

- Clareti Solutions – supply of solutions predominantly to the finance and banking markets across Asia Pacific, EMEA and North America. These solutions include:
  - Clareti Transaction Control: a high-performance enterprise data control solution for data validation and real-time transaction matching and reconciliation.
  - Clareti Accounts Receivable Management: a receivables management application with automated matching, reconciliation and allocation to reduce the order-to-cash cycle.
  - Clareti 24 Integration Objects: integration software to enable rapid adoption of financial message standards and transform complex data types.
  - Clareti Multi-Bank; Real time visibility of cash and stock portfolios across multiple institutions giving treasurers absolute confidence of their exact positions at all times.
- Other Solutions – supply of a range of well-established solutions to enterprise-level customers in a variety of end markets.

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 on consolidation.

6 months ended 30 June 2019 (unaudited) – Segmental Information

	Clareti Solutions	Other		Consolidated
		Solutions	Contracting Services	
	£'000	£'000	£'000	£'000
<b>Revenue</b>				
External customer	8,347	1,790	2,303	<b>12,440</b>
Inter-segment	-	-	-	-
<b>Total revenue</b>	<b>8,347</b>	<b>1,790</b>	<b>2,303</b>	<b>12,440</b>
<b>Cost of sales</b>				
Cost of sales	(540)	(532)	(413)	<b>(1,485)</b>
Cost of sales capitalised as intangible asset	8	-	-	<b>8</b>
<b>Gross profit</b>	<b>7,815</b>	<b>1,258</b>	<b>1,890</b>	<b>10,963</b>
<b>Gross profit %</b>	<b>94%</b>	<b>70%</b>	<b>82%</b>	<b>88%</b>
<b>Adjusted administrative expenses</b>	<b>(8,027)</b>	<b>(72)</b>	<b>(1,601)</b>	<b>(9,700)</b>
<b>Adjusted operating (loss)/profit</b>	<b>(212)</b>	<b>1,186</b>	<b>289</b>	<b>1,263</b>
<b>Adjusted operating margin %</b>	<b>(3%)</b>	<b>66%</b>	<b>13%</b>	<b>10%</b>
<b>Adjusting items:</b>				
Exceptional costs				<b>(22)</b>
Impairment of development costs				<b>(647)</b>
Amortisation of acquired intangibles				<b>(397)</b>
Share-based payments				<b>(64)</b>
<b>Adjusting administrative expenses</b>				<b>(1,130)</b>
<b>Statutory operating profit</b>				<b>133</b>
Share of post-tax profit from joint venture				<b>35</b>
Interest revenue				<b>8</b>
Interest expense				<b>(7)</b>
<b>Profit before taxation from continuing operations</b>				<b>169</b>
<b>Taxation</b>				<b>243</b>
<b>Profit after taxation from continuing operations</b>				<b>412</b>
<b>Net gain on sale of discontinued operations</b>				<b>1,985</b>
<b>Profit after taxation of discontinued operations</b>				<b>53</b>
<b>Profit after taxation</b>				<b>2,450</b>
<b>Segment assets</b>				<b>41,828</b>
<b>Segment liabilities</b>				<b>(16,294)</b>



6 months ended 30 June 2018 (unaudited) – Segmental Information

	Clareti Solutions £'000	Other		Consolidated £'000
		Solutions £'000	Contracting Services £'000	
Revenue				
External customer	5,559	1,638	1,889	<b>9,086</b>
Inter-segment	-	-	-	-
Total revenue	5,559	1,638	1,889	<b>9,086</b>
				-
Cost of sales	(216)	(384)	(850)	<b>(1,450)</b>
Cost of sales capitalised as intangible asset	33	-	-	<b>33</b>
Gross profit	5,376	1,254	1,039	<b>7,669</b>
Gross profit %	97%	77%	55%	<b>84%</b>
Adjusted administrative expenses	(7,394)	(46)	(791)	<b>(8,231)</b>
Adjusted operating (loss)/profit	(2,018)	1,208	248	<b>(562)</b>
Adjusted operating margin %	(36%)	74%	13%	<b>(6%)</b>
Adjusting items:				
Exceptional costs				<b>(195)</b>
Amortisation of acquired intangibles				<b>(207)</b>
Share-based payments				<b>(76)</b>
Adjusting administrative expenses				<b>(478)</b>
Statutory operating loss)				<b>(1,040)</b>
Share of post-tax profits from joint venture				<b>38</b>
Interest revenue				<b>14</b>
Interest expense				-
Loss before taxation from continuing operations				<b>(988)</b>
Taxation				<b>434</b>
Loss after taxation from continuing operations				<b>(554)</b>
Profit from discontinuing operations				<b>333</b>
Loss after taxation				<b>(221)</b>
Segment assets				<b>38,178</b>
Segment liabilities				<b>(9,432)</b>

#### 4. Taxation

	<b>6 months ended 30 June 2019 Unaudited £'000</b>	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
Current income tax			
Overseas tax charge - adjustment to previous periods	14	29	22
Overseas tax charge - current period	3	8	43
UK corporation tax credit - adjustment to previous periods	-	-	(789)
<b>Total current income tax</b>	<b>17</b>	37	(724)
Deferred income tax			
Recognition of deferred tax asset	(260)	(480)	(601)
Tax rate change adjustments	-	9	9
<b>Total deferred income tax</b>	<b>(260)</b>	(471)	610
<b>Total credit in the income statement</b>	<b>(243)</b>	(434)	(114)

#### 5. 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 earnings and share data used in the basic and diluted earnings per share computations:

	<b>6 months ended 30 June 2019 Unaudited</b>	6 months ended 30 June 2018 Unaudited	12 months ended 31 December 2018 Audited
Basic weighted average number of shares	<b>68,124,479</b>	67,541,108	67,772,715
Dilutive potential ordinary shares			
Employee share options - weighted	<b>1,165,107</b>	2,927,206	2,649,668
<b>Diluted weighted average number of shares</b>	<b>69,289,586</b>	70,468,314	70,422,383

<b>Including discontinued operations</b>	<b>6 months ended 30 June 2019 Unaudited £'000</b>	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
Adjusted earnings attributable to owners of the Parent - including discontinued operations	<b>1,595</b>	257	(347)
Adjusting items:			
Exceptional items	<b>(22)</b>	(195)	(303)
Amortisation of acquired intangibles	<b>(397)</b>	(207)	(605)
Impairment of development costs	<b>(647)</b>	-	-
Sale of discontinued operations	<b>1,985</b>	-	-
Share-based payments	<b>(64)</b>	(76)	(161)
Statutory earnings attributable to owners of the Parent	<b>2,450</b>	(221)	(1,416)
Earnings per share - including discontinued operations:			
Statutory			
Basic earnings per share - pence	<b>3.60</b>	(0.33)	(2.09)
Diluted earnings per share - pence	<b>3.54</b>	(0.33)	(2.09)
Adjusted			
Basic earnings per share - pence	<b>2.34</b>	0.38	(0.50)
Diluted earnings per share - pence	<b>2.30</b>	0.37	(0.50)

During the period the Group impaired development costs of £647,000 relating to its product Clareti Loan Control as a result of the anticipated discontinuation of its joint venture with Mount Street.

<b>Excluding discontinued operations</b>	<b>6 months ended 30 June 2019 Unaudited £'000</b>	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
Adjusted earnings attributable to owners of the Parent	<b>1,542</b>	(76)	(1,014)
Adjusting items:			
Exceptional items	<b>(22)</b>	(195)	(303)
Amortisation of acquired intangibles	<b>(397)</b>	(207)	(605)
Impairment of development costs	<b>(647)</b>	-	-
Share-based payments	<b>(64)</b>	(76)	(161)
Statutory earnings attributable to owners of the Parent	<b>412</b>	(554)	(2,083)
Earnings per share - excluding discontinued operations:			
Statutory			
Basic earnings per share - pence	<b>0.60</b>	(0.82)	(3.07)
Diluted earnings per share - pence	<b>0.59</b>	(0.82)	(3.07)
Adjusted			
Basic earnings per share - pence	<b>2.26</b>	(0.11)	(1.50)
Diluted earnings per share - pence	<b>2.23</b>	(0.11)	(1.50)

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.

Exceptional items in the period largely relate to advisory costs for the implementation and adoption of the new employee share incentive plan. Prior year to 30 June 2018 exceptional items related to the acquisition of B2 Group S.a.R.L which was completed 4 July 2018.

## 6. Dividends paid and proposed

Amounts recognised as distributions to equity holders during the period:

	<b>6 months ended 30 June 2019 Unaudited £'000</b>	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
<b>Final dividend</b>			
Final dividend for the year ended 31 December 2018 of 0.50 pence per share	<b>339</b>	-	-
Final dividend for the year ended 31 December 2017 of 0.50 pence per share	-	338	338
	<b>339</b>	338	338

The final dividend for the year ended 31 December 2018 was approved at the Company Annual General Meeting on 2 May 2019 and paid on 16 May 2019.

## 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 2018, available from [www.greshamtech.com](http://www.greshamtech.com) and remain unchanged.

## 8. Adjusted EBITDA reconciliation

Adjusted EBITDA for the Group's operations is calculated as EBITDA excluding exceptional charges and share-based payments, reconciled as follows:

<b>Excludes discontinued operations</b>	<b>6 months ended 30 June 2019 Unaudited £'000</b>	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
Profit/(loss) before taxation	<b>169</b>	(988)	(2,197)
Adjusting items:			
Property expenses equivalent to IFRS 16 - as rental PY	-	175	420
IFRS 16 Amortisation	<b>236</b>	-	-
IFRS 16 Interest charge	<b>13</b>	-	-
Exceptional items	<b>22</b>	195	303
Amortisation of intangibles	<b>1,180</b>	814	1,941
Depreciation of property, plant and equipment	<b>136</b>	161	297
Impairment of development costs	<b>647</b>	-	-
Profit on disposal	-	-	(3)
Share-based payments	<b>64</b>	76	161
Interest received	<b>(8)</b>	(14)	(19)
Adjusted EBITDA - continuing operations	<b>2,459</b>	419	903
Discontinued operations	<b>53</b>	333	667
Adjusted EBITDA - including discontinuing operations	<b>2,512</b>	752	1,570
Development costs capitalised	<b>(1,514)</b>	(1,123)	(2,538)
IFRS 16 - property expenses	<b>(249)</b>	(175)	(420)
Adjusted cash EBITDA - continuing operations	<b>696</b>	(879)	(2,055)
Adjusted Cash EBITDA - including discontinuing operations	<b>749</b>	(546)	(1,388)

## 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 Conduct Authority (as detailed in the Chief Executive review).

The principal risks and uncertainties facing the Group for the period ending 30 June 2018 and anticipated for the remainder of the year ended 31 December 2019 remain consistent with those disclosed in the Group's financial statements for the year ended 31 December 2018, which are available from [www.greshamtech.com](http://www.greshamtech.com).

## 10. Related party transactions

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

## 11. Sale of VME business

On 11 January 2019, Gresham Technologies (UK) Limited, a wholly owned subsidiary of the Company, entered into a definitive agreement with Fujitsu Services Limited for the sale of its VME mainframe software business for £2m cash consideration overall. The disposal was completed on 31 January 2019. The sale is making a positive contribution to the profit for 2019. As such the assets and liabilities relating to this business have been disclosed in line with IFRS 5 assets held for sale and relate to outstanding trade receivables and deferred income as at prior year statement of financial position date.

<b>Profits from discontinued operations</b>	6 Months ended 30 June 2019 £'000	6 Months ended 30 June 2018 £'000	12 Months ended 31 December 2018 £'000
Revenue	64	377	755
Staff costs	(7)	(21)	(42)
Other administration costs	(4)	(23)	(46)
Profit from discontinued operations	53	333	667
Net cash from discontinued operations	53	333	667

The post-tax gain on disposal of discontinued operations in the period to 30 June 2019:

	£'000
Cash consideration	1,675
Net assets to be disposed of:	
Trade receivables	(74)
Deferred income	384
Net gain on disposal of discontinued operations	1,985

No tax charge is anticipated due to the utilisation of group relief.

# Corporate information

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