



Gresham Technologies plc
Interim Report 2018

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“We won six new Clareti customers in the first half of 2018 and have just completed the acquisition of the B2 Group, bringing a further fifteen customers into the Group.

Our recent investments in direct sales, marketing and alliances have contributed to a strengthening Clareti pipeline. We are expecting a strong second half of the year, and we have made a positive start with three new Clareti wins so far in July.”

Ian Manocha, CEO, Gresham

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Highlights

Group revenues

£9.4m



Clareti revenues

£5.5m



Adjusted EBITDA

£0.4m



Group annualised recurring revenues

£9.9m



Clareti annualised recurring revenues

£6.2m



Statutory (loss)/profit before tax

£(0.8)m



Financial highlights

- Group revenues **down 5%** to £9.36m (H1 17: £9.87m).
- Clareti revenues **up 13%** to £5.46m (H1 17: £4.83m).
- Clareti software revenues consistent at £3.66m (H1 17: £3.72m).
- Clareti annualised recurring revenues **up 15%** to £6.20m (H1 17: £5.41m).
- Adjusted EBITDA **down 80%** to £0.44m (H1 17: £2.15m).

Operational highlights

- Six new Clareti customers signed in H1 2018.
- Strategic win with Tier 1 global investment bank.
- Six Clareti customer licence upgrades.
- Acquisition of B2 Group completed 4th July 2018.
- Management confident in the full year outlook.

All revenue figures include joint venture revenue share.

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

Chief Executive review

Strategic overview

The Group's strategic plan is to create a valuable, modern, enterprise financial technology company that enables organizations to be in control of their data in today's fast-paced digital world. Value is being created through high-margin Clareti software sales, recurring revenue subscriptions and cloud services as part of a managed, multi-year transition from dependence on the Group's declining legacy business, which includes third party software reselling, sub-contractor services, and mainframe and tape storage software. In the last five years this Clareti led strategy has led to the acquisition of approximately 80 new high-quality customers into the Group.

Based on the Clareti platform, our modern portfolio of applications addresses complex financial, risk, regulatory and compliance challenges. 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. Market demand for agile solutions is particularly high among financial market participants driven by a global regulatory agenda increasingly focused on data quality, as well as by the need to simplify operations and drive down transaction costs. Gresham is ideally placed to address these needs with its modern technology and deep industry domain expertise.

Our goal is to establish Clareti as the platform of choice for financial markets participants who need to "be data confident". Additional applications and services are being developed to expand the portfolio of Clareti offering in three key market segments: capital markets data integrity and control solutions; cash management solutions for banks and corporates; commercial lending solutions.

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 to open more alliances and indirect channels to extend our reach and grow market share. Our Asia Pacific business primarily focuses on major account management and supports the Group with global customer support and delivery capabilities.

In October 2016, we acquired C24 Technologies Limited to strengthen the capability of our technology platform to process a wider variety of financial message formats. In July 2018, we added the B2 Group to enable us to provide secure high-availability cloud services, innovative cash management technology that enables institutions to connect with multiple banks, and to further extend our reach into continental Europe. We will continue to pursue carefully selected acquisition opportunities that can add long-term value to the Group in line with our strategy.

Trading update

The Group earns revenues from the sale of software and provision of ancillary consultancy services. The following summarises the Group's financial performance in the six months to 30 June 2018:

		H1 2018	H1 2017	Variance	
		£'m	£'m	£'m	%
Revenues					
Clareti Solutions					
Recurring (including joint venture revenue share)		2.90	2.50	0.40	16%
Non-recurring		0.76	1.22	(0.46)	(38%)
Software		3.66	3.72	(0.06)	(2%)
Services		1.80	1.11	0.69	62%
Total	KPI	5.46	4.83	0.63	13%
Other Solutions					
Recurring		1.75	2.34	(0.59)	(25%)
Non-recurring		2.15	2.70	(0.55)	(20%)
Total		3.90	5.04	(1.14)	(23%)
Total	KPI	9.36	9.87	(0.51)	(5%)
Total excluding joint venture revenue share		9.33	9.77	(0.44)	(5%)
Annualised recurring revenue (including joint venture) as at 30 June					
Clareti ARR	KPI	6.20	5.41	0.79	15%
Group ARR	KPI	9.92	9.98	(0.03)	-%

In the first half of the year, we won six new Clareti customers, including a first project in one of the world's largest global investment banks. New customers came from our targeted industries of banking, investment management and insurance broking in Europe, the US and Singapore. New licence contracts were a mix of term and subscription, with one new client choosing to deploy into the cloud with a Clareti-as-Service subscription. In addition, six existing Clareti customers increased their subscriptions to support expanded usage of the software. Clareti new licence sales in Q2 were lower than expected due primarily to the delay of certain new contracts into the second half of the year.

As regards the Group's Other Solutions business, comprising our legacy products and Australian sub-contracting services, revenues were 23% lower than the same period in 2017. This performance was in line with our planning assumptions given the run off of a major legacy software client that completed during 2017 and expected short term movements in phasing of sub-contracting revenues.

Our professional services revenues were strongly up compared to H1 2017 reflecting the high level of implementation work generated from the large number of new Clareti client wins in the prior twelve months.

In the first six months, Clareti revenues represented 58% of total Group revenues (H1 17: 49%, H1 16: 40%) and, as at 30 June 2018, Clareti annualised recurring revenues (ARR) were up by 15% to £6.20m (30 June 2017: £5.41m).

Earnings

		H1 2018	H1 2017	Variance	%
Gross margin	£m	7.91	8.36	(0.45)	(5%)
Gross margin	%	85	86	(1)	(1%)
Adjusted EBITDA	KPI £m	0.44	2.15	(1.71)	(80%)
Adjusted EBITDA	%	5	22	(17)	(77%)
Statutory (loss)/profit before tax	KPI £m	(0.79)	1.11	(1.90)	(171%)
Adjusted diluted EPS	pence	0.17	2.76	(2.59)	(94%)

The reduction in adjusted EBITDA against the same period in the prior year can be attributed to a combination of factors; Group revenues being lower; a lower proportion of development spend qualifying for capitalization (£0.52m); and ongoing investment into the business (£0.68m). These general investments include new systems for talent management and professional services automation, as well as new senior appointments in sales, marketing and finance to support planned global growth.

Consequently, first half earnings against the comparative period in 2017 are significantly down, with gross margin of 85% (H1 17: 86%), adjusted EBITDA down 80% to £0.44m (H1 17: £2.15m) and adjusted diluted earnings per share down 94% to 0.17 pence per share (H1 17: 2.76 pence per share).

Cashflow

	H1 2018	H1 2017	Variance	%
	£'m	£'m	£'m	
Operating cashflow excluding working capital	0.20	1.68	(1.48)	(88%)
Movement in working capital	0.28	0.54	(0.26)	(48%)
Capital expenditure - development costs	(1.22)	(1.75)	0.53	30%
Capital expenditure - other	(0.07)	(0.10)	0.03	30%
Investing activities - C24 acquisition deferred payment	(0.36)	-	(0.36)	n/a
Financing activities - dividend paid	(0.34)	-	(0.34)	n/a
Other	0.22	0.24	(0.02)	(8%)
Closing cash	6.99	7.81	(0.82)	(11%)
Cash & cash equivalents	6.99	7.21	(0.22)	(3%)
Cash deposits	-	0.60	(0.60)	n/a

The Group continues to be funded from operating cash and has no debt. During the six months ended 30 June 2018, cashflow arising from operating activities decreased by 88% to £0.20m (H1 17: £1.68m) as a direct result of the reduced profitability of the Group and in particular the lower value of new Clareti initial licence fees in the period. Capitalised development costs reduced by 30% to £1.22m (H1 2017: £1.75m) due to a lower proportion of development activities qualifying to be capitalized as the base Clareti platform continues to mature.

The Group's closing cash position as at 30 June 2018 was £6.99m (30 June 17: £7.81m), including the effect of deferred consideration totalling £1.2m for the acquisition of C24 Technologies Ltd paid in October 2017 and April 2018 and a maiden dividend of £0.3m paid in May 2018. The initial consideration for the acquisition of the B2 Group included a cash element paid in July 2018 of £2.9m.

Sales, marketing and distribution

The Group's planned investments in sales, marketing and alliances have proceeded well in the first six months of the year. We have strengthened our central marketing team with an experienced chief marketing officer who is tasked with building the visibility of the brand in North America and Europe through a more engaging digital presence and a compelling thought leadership agenda. We are working to improve the awareness of our unique technology and our agile delivery and innovation model with senior executives in our target financial markets in the expectation that this will enhance our ability to win new and larger contracts. We have also invested in local field marketing to specifically target the North America market opportunity with positive results in terms of pipeline in this region. Our investment into alliances in 2017 has helped build a pipeline of larger deals for the remainder of the year, and our partnership with a global systems integrator was an important factor in our recent new Tier 1 global bank win against established suppliers.

We have experienced sales teams in place led by strong local sales managers in the UK and the US and continue to see a high win-rate in competitive bids. We were particularly pleased to be selected by one of world's leading providers of cash management solutions for Clareti-as-a-Service (CaaS) in a competitive tender process. The initial project is with one of the customer's European subsidiaries with the intention that other subsidiaries will adopt the technology over time. The investment into the B2 Group will further strengthen our presence in continental Europe which has seen strong growth in the last 18 months.

Our export sales growth in the three years FY2015 to FY2017 were an important factor in the Group winning the Queen's Award for Enterprise in June of this year. This award is a strong recognition and endorsement of the Group's advanced technology and the work of its global team.

Customer satisfaction

In the last five years, the Clareti business has brought approximately 80 new customers into the Group, excluding B2. This substantial Clareti client base is contributing towards the growing awareness of Gresham in the market and the Group is focused on sustaining an excellent reputation for successful projects and top-class customer support. Our twelve months rolling customer satisfaction measured after some 6,500 interactions via our support channels scored at 98%. Our CaaS cloud platform has been operating with continuous 100% availability for all customers since the very first cloud customer went live two years ago. The Group continues to invest in core infrastructure to enable the Clareti business to scale globally.

In the first six months of the year our services team delivered successful Clareti 'go-lives' for clients in the US, Canada, Europe, Asia and Australia. We are now working to enable our partner community to take on additional implementation work for clients as the business scales.

Products and innovation

At our Innovation Labs in Bristol, we continue to invest in new product development as well as enhance our existing offerings to remain competitive. Our plan is to continuously extend and enhance capabilities in our core platform so that our portfolio of applications can take direct advantage of these features. This keeps our development cost low, time to market is reduced and applications are more robust. Our use of modern development tools, microservices and open interfaces (API's), as well as our agile development processes, which involve close customer collaboration, fast cycle releases, and integrated testing, are regarded as market leading practices.

Clareti Transaction Control, our flagship offering, is now seen as the only modern enterprise-grade platform for the control of non-standard transaction data in financial markets. In the first six months of 2018 we have released new functionality which will enable us to compete more directly with the legacy vendors in their core cash and securities markets. This will continue to be an important focus for enhancements in the coming months. In partnership with an early adopter bank, we have also been developing capabilities in the regulatory control area, and we are building on early prototypes of our Clareti Data Accelerator offering which will lead to a differentiated offering in the "big data" data quality space.

The B2 Group and cash management solutions

Gresham has a long history of providing solutions to the corporate and transaction banking space. Our experience as prime contractor of treasury management and related solutions, and our own Clareti account receivables management projects, as well as third party market research, collectively indicate that corporates are investing to improve the way they manage their cash across their global business. In July 2018, we completed the acquisition of the Luxembourg-based B2 Group to take advantage of the opportunity in this area. B2 Group's bank connectivity technology and high availability cloud service, along with Gresham's existing products and customer roadmap, will give us a substantial set of capabilities and a larger addressable market.

An initial consideration of EUR 3.65 million was paid in July 2018 and there is potential for two further consideration payments of up to EUR 4.85 million in aggregate, based on the acquired business growing incremental, profitable, annually recurring revenues over the next two years. The acquisition adds approximately EUR 1.4 million of annualised recurring revenues and is expected to be earnings enhancing in FY 2019.

All B2 Group staff and executives have transitioned into Gresham and will continue to work together as team, to be known as Gresham Cash Management Solutions. The response from B2 Group staff, customers and partners has been overwhelmingly

positive. The business integration plan and the joint sales plan, which were agreed in parallel with due diligence, are now being executed. We will take B2 Group's Multi-Bank Integrator product through the Gresham sales organization in Europe and the US, re-named as Clareti Multi Bank, and will be seeking cross-sell and up-sell opportunities. Over time, we expect to have a broader portfolio of cash management solutions and a common cloud infrastructure across all Clareti offerings.

Outlook

We have a pipeline of significant opportunities and remain confident in the full year outlook. July has started positively with three new Clareti wins, including: a new Clareti Adaptors annuity subscription sale to a large US community bank via a channel partner; also in the US, a new CaaS cloud subscription for CTC with one of the world's largest independent investment management firms; and, in Europe, a first project with one of the world's largest energy companies, representing our third CTC customer in this sector and our first "key customer" in the industry.

For the remainder of 2018, our focus for new business will continue to be in Europe and North America, with our Asia Pacific team focusing on major account management. In Europe we are aggressively targeting the legacy reconciliation vendor installed base as well as seeking regulatory driven opportunities with banks and with their financial markets service providers. B2 has seen consistently strong annuity growth in Europe since launching their Multi Bank Integrator product in 2016. We expect B2, now Gresham Cash Management Solutions, to contribute £1.1m of Clareti revenues to the Group in the second half of the year and will be leveraging the scale of the wider group to build a robust pipeline for Clareti Multi Bank in 2019. We will continue to scale up our US business which represents the single largest global market for our CTC technology.

We will continue to closely manage our non-Clareti installed base, and whilst we expect to see a continued decline in our legacy software fees, we expect this to be broadly offset by an increase in lower margin sub-contracting revenues on a full year basis. The Group will continue to manage its cost base carefully with modest investment in the second half of 2018 focused on revenue generating functions.

The Gresham team is strongly motivated and aligned around our plan for the remainder of the year and I am confident we are on a positive track leveraging the solid foundations we have already established of an exciting, modern, enterprise financial technology business.

Ian Manocha

Chief Executive Officer
23 July 2018

Consolidated income statement

	Notes	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Revenue	3	9,327	9,774	21,668
Cost of sales		(1,417)	(1,416)	(3,283)
Gross profit		7,910	8,358	18,385
Adjusted administrative expenses		(8,275)	(6,916)	(14,602)
Adjusted operating (loss)/profit		(365)	1,442	3,783
Adjusting administrative items:				
Exceptional items	5	(195)	(108)	(90)
Amortisation on acquired intangibles		(207)	(203)	(410)
Share-based payments		(76)	(119)	(239)
		(478)	(430)	(739)
Total administrative expenses		(8,753)	(7,436)	(15,341)
Statutory operating (loss)/profit		(843)	1,012	3,044
Share of post-tax profit of joint venture		38	85	(18)
Finance revenue		14	15	33
Finance costs		-	-	(2)
(Loss)/profit before taxation		(791)	1,112	3,057
Taxation	4	434	378	744
Attributable to owners of the Parent		(357)	1,490	3,801
Earnings per share				
Statutory				
Basic earnings per share – pence	5	(0.53)	2.22	5.65
Diluted earnings per share – pence	5	(0.51)	2.15	5.45
Adjusted				
Basic earnings per share – pence	5	0.18	2.86	6.75
Diluted earnings per share – pence	5	0.17	2.76	6.51

All activities were continuing during the period.

Consolidated statement of comprehensive income

	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Attributable to the owners of the Parent	(357)	1,490	3,801
<i>Other comprehensive (expense)/income</i>			
Items that will or may be re-classified into profit or loss - exchange differences	(45)	(12)	(31)
Total other comprehensive (expense)/income	(45)	(12)	(31)
Total comprehensive (loss)/income for the period	(402)	1,478	3,770

Consolidated statement of financial position

	30 June 2018 Unaudited £'000	30 June 2017 Unaudited £'000	31 December 2017 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment	493	585	590
Intangible assets	20,834	19,844	20,479
Interest in joint venture	21	85	(18)
Deferred tax assets	2,314	1,508	1,894
	23,662	22,022	22,945
Current assets			
Trade and other receivables	3,735	3,789	5,477
Income tax receivable	82	95	109
Other financial assets - bank deposits	-	600	200
Cash and cash equivalents	6,993	7,214	8,280
	10,810	11,698	14,066
Total assets	34,472	33,720	37,011
Equity and liabilities			
Equity attributable to owners of the Parent			
Called up equity share capital	3,380	3,375	3,375
Share premium account	3,632	3,560	3,562
Other reserves	313	313	313
Foreign currency translation reserve	(55)	9	(10)
Retained earnings	17,514	15,844	18,275
Total equity attributable to owners of the Parent	24,784	23,101	25,515
Non-current liabilities			
Deferred income	471	287	592
Provisions	49	13	18
Deferred tax liability	545	628	596
Contingent consideration	-	-	-
	1,065	928	1,206
Current liabilities			
Trade and other payables	8,576	8,493	9,820
Income tax payable	2	-	47
Provisions	45	62	67
Contingent consideration	-	1,136	356
	8,623	9,691	10,290
Total liabilities	9,688	10,619	11,496
Total equity and liabilities	34,472	33,720	37,011

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation £'000	Retained earnings £'000	Total £'000
At 1 January 2017	3,340	3,242	313	21	14,235	21,151
Attributable profit for the period	-	-	-	-	1,490	1,490
Other comprehensive expense	-	-	-	(12)	-	(12)
Total comprehensive income	-	-	-	(12)	1,490	1,478
Exercise of share options	35	318	-	-	-	353
Share-based payment expense	-	-	-	-	119	119
At 30 June 2017	3,375	3,560	313	9	15,844	23,101
Attributable profit for the period	-	-	-	-	2,311	2,311
Other comprehensive income	-	-	-	(19)	-	(19)
Total comprehensive income	-	-	-	(19)	2,311	2,292
Exercise of share options	-	2	-	-	-	2
Share-based payment expense	-	-	-	-	120	120
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	-	-	-	-	(142)	(142)
At 31 December 2017 (as restated)	3,375	3,562	313	(10)	18,133	25,373
Attributable (loss)/profit for the period	-	-	-	-	(357)	(357)
Other comprehensive (loss)/income	-	-	-	(45)	-	(45)
Total comprehensive (loss)/income	-	-	-	(45)	(357)	(402)
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)	17,514	24,784

Consolidated statement of cashflows

	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Cashflows from operating activities			
(Loss)/profit after taxation	(357)	1,490	3,801
Depreciation, amortisation and impairment	1,010	879	1,855
Share-based payment expense	76	119	239
Share of post-tax profit from joint venture	(38)	(85)	18
Decrease/(increase) in trade and other receivables	1,558	946	(781)
(Decrease)/increase in trade and other payables	(1,278)	(404)	495
Movement in deferred tax provisions	(424)	(448)	-
Fair value adjustment on deferred contingent consideration	-	-	(69)
Movement in provisions	(1)	11	20
Loss on disposal of property, plant and equipment	-	-	-
Net finance income	(14)	(15)	(31)
Cash inflow from operations	532	2,493	5,547
Net income taxes (paid)/received	(56)	(273)	(219)
Net cash inflow from operating activities	476	2,220	5,256
Cash flows from investing activities			
Interest received	14	15	31
Decrease/(increase) in financial assets-bank deposits	200	(600)	(200)
Purchase of property, plant and equipment	(67)	(99)	(280)
Disposal of property, plant and equipment	-	-	-
Net payments to acquire subsidiary undertaking	(356)	-	(711)
Payments to acquire intangible fixed assets	(1,219)	(1,752)	(3,199)
Net cash used in investing activities	(1,428)	(2,436)	(4,359)
Cash flows from financing activities			
Interest paid	-	-	-
Dividend paid	(338)	-	-
Share issue proceeds	76	238	239
Share issue transaction costs	-	-	(7)
Net cash generated from financing activities	(262)	238	232
Net increase/(decrease) in cash and cash equivalents	(1,214)	22	1,129
Cash and cash equivalents at beginning of period	8,280	7,206	7,206
Exchange adjustments	(73)	(14)	(55)
Cash and cash equivalents at end of period	6,993	7,214	8,280

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 limited liability company and is listed on the London Stock Exchange. The Company's registered address is Aldermary 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 23 July 2018.

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 2017.

The financial statements for the year ended 31 December 2017, 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 or by writing to the Company Secretary at the Company's registered office.

2. Changes in accounting policy

IFRS 15 Revenue from Contracts with Customers (effective for the Group's first IFRS financial statements for the period beginning on 1 January 2018) replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The standard introduces a single, five-step revenue recognition model that is based upon the principle that revenue is recognised at the point that control of goods or services is transferred to the customer. The standard also updates revenue disclosure requirements.

The Directors have specifically considered the adoption of IFRS 15 on the revenue recognition of the Group's on-premise software subscription contracts, which combine the delivery of software, and support & maintenance services. Under our current policies, we recognise the entire fee rateably over the subscription term.

As part of our review of our future IFRS15 accounting policies, we have considered whether such contracts represent a right to use the software at the point of initial delivery (with license revenue recognisable at that point), or access the software over the contracts applicable term (with license revenue recognised pro-rata over the term), irrespective of associated cashflows.

We have concluded these subscription contracts do represent access to the software over the contract term as the fee for the delivery of software and support & maintenance services is fully combined and prepaid without distinction. We have therefore concluded the fee for the combined delivery of software and support & maintenance services should continue to be recognised rateably over the subscription term under IFRS 15.

The adoption of IFRS 9 and IFRS 15 resulted in no material impact on the Group's financial statements in the period as the Group historically applied similar accounting treatment for a number of the standards, with respect to IFRS 9 the Group have minimal financial instruments that would be impacted, and as such there is no restatement of 2017 results.

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 their 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; Clareti Accounts Receivable Management; Clareti Adaptors and Clareti Loan Control.

- *Other Solutions* – supply of a range of well-established solutions to enterprise-level customers in a variety of end markets, which include third party software reselling, sub-contractor services, and mainframe and tape storage software.

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 2018 (unaudited) – Segmental Information

	Other			Adjustments, central and eliminations	Consolidated
	Clareti Solutions	Solutions	Contracting Services		
	£'000	£'000	£'000	£'000	£'000
Revenue					
External customer	5,423	2,015	1,889	-	9,327
Inter-segment	-	-	-	-	-
Total revenue	5,423	2,015	1,889	-	9,327
Cost of sales	(183)	(384)	(850)	-	(1,417)
Gross profit	5,240	1,631	1,039	-	7,910
	97%	81%	55%	-	85%
Contracting administrative expenses	-	-	(791)	-	(791)
Gross profit after contracting fully costed	5,240	1,631	248	-	7,119
	97%	81%	13%	-	76%
Adjusted administrative expenses	-	-	-	(7,484)	(7,484)
Adjusted operating (loss)/profit	5,240	1,631	248	(7,484)	(365)
Adjusting items:					
Exceptional costs				(195)	(195)
Amortisation of acquired intangibles				(207)	(207)
Share-based payments				(76)	(76)
Adjusting administrative expenses				(478)	(478)
Statutory operating (loss)/profit				(7,962)	(843)
Share of post-tax profit from joint venture					38
Interest revenue					14
Interest expense					-
(Loss)/profit before taxation					(791)
Taxation					434
(Loss)/profit after taxation					(357)
Segment assets					34,472
Segment liabilities					(9,688)

6 months ended 30 June 2017 (unaudited) – Segmental Information

	Clareti Solutions	Other		Adjustments, central and eliminations	Consolidated
		Solutions	Contracting Services		
	£'000	£'000	£'000	£'000	£'000
Revenue					
External customer	4,742	2,769	2,263	-	9,774
Inter-segment	-	-	-	-	-
Total revenue	4,742	2,769	2,263	-	9,774
				-	-
Cost of sales	(104)	(316)	(996)	-	(1,416)
Gross profit	4,638	2,453	1,267	-	8,358
	98%	89%	56%	-	86%
Contracting administrative expenses	-	-	(921)	-	(921)
Gross profit after contracting fully costed	4,638	2,453	346	-	7,437
	98%	89%	15%	-	76%
Adjusted administrative expenses	-	-	-	(5,995)	(5,995)
Adjusted operating profit	4,638	2,453	346	(5,995)	1,442
Adjusting items:					
Exceptional costs				(108)	(108)
Amortisation of acquired intangibles				(203)	(203)
Share-based payments				(119)	(119)
Adjusting administrative expenses				(430)	(430)
Statutory operating profit				(6,425)	1,012
Share of post-tax profit from joint venture					85
Interest revenue					15
Interest expense					-
Profit before taxation					1,112
Taxation					378
Profit after taxation					1,490
Segment assets					33,720
Segment liabilities					(10,619)

4. Taxation

	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Current income tax			
Overseas tax charge/(credit) - adjustment to previous periods	29	36	53
Overseas tax charge - current period	8	6	50
UK corporation tax charge - adjustment to previous periods	-	-	(20)
Total current income tax	37	42	83
Deferred income tax			
(Recognition)/reversal of deferred tax asset	(480)	(454)	(827)
Tax rate change adjustments	9	34	-
Total deferred income tax	(471)	(420)	(827)
Total credit in the income statement	(434)	(378)	(744)

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:

	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Basic weighted average number of shares	67,541,108	67,061,216	67,276,136
Dilutive potential ordinary shares			
Employee share options - weighted	2,927,206	2,379,073	2,488,515
Diluted weighted average number of shares	70,468,314	69,440,289	69,764,651

	6 months ended 30 June 2018 Unaudited	6 months ended 30 June 2017 Unaudited	12 months ended 31 December 2017 Audited
	£'000	£'000	£'000
Adjusted earnings attributable to owners of the Parent	121	1,920	4,540
Adjusting items:			
Exceptional items	(195)	(108)	(90)
Amortisation of acquired intangibles	(207)	(203)	(410)
Share-based payments	(76)	(119)	(239)
Statutory earnings attributable to owners of the Parent	(357)	1,490	3,801
Earnings per share			
Statutory			
Basic earnings per share - pence	(0.53)	2.22	5.65
Diluted earnings per share - pence	(0.51)	2.15	5.45
Adjusted			
Basic earnings per share - pence	0.18	2.86	6.75
Diluted earnings per share - pence	0.17	2.76	6.51

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 acquisition of B2 Group S.a.R.L which was completed 4 July 2018. Exceptional items in the prior year included integration costs from the acquisition of C24 Technologies Limited and associated fair value adjustment in respect of the final consideration paid, recruitment costs for the new CFO and joint venture and all staff incentive establishment fees.

6. Dividends paid and proposed

Amounts recognised as distributions to equity holders during the period:

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

The final dividend for the year ended 31 December 2017 was approved at the Company Annual General Meeting on 10 May 2018 and paid on 21 May 2018.

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 2017, available from 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:

	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
(Loss)/profit before tax	(791)	1,112	3,057
Adjusting items:			
Exceptional items	195	108	90
Amortisation and depreciation	975	828	1,754
Loss on disposal	-	-	-
Share-based payments	76	119	239
Interest received	(14)	(15)	(31)
Adjusted EBITDA	441	2,152	5,109

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 2018 remain consistent with those disclosed in the Group's financial statements for the year ended 31 December 2017, which are available from 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.

There have been no changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year.

11. Post balance sheet events

On 4 July 2018 Gresham Technologies Plc acquired all of the issued shares in B2 Group S.a.R.L, specialists in bank-to-corporate integration and cash management software with a focus on the growing multi-bank solutions market. B2 Group's core product is an innovative, proprietary, cloud-based software platform that connects corporates and asset managers with their bank partners. It provides organisations with real-time visibility of their cash position, improved control of outgoing payments and automated processing of incoming statements. The acquisition was made for initial consideration of EUR 3.65m, comprising cash of EUR 3.35m and newly issued shares in Gresham Technologies Plc to the value of EUR 0.3m. Deferred consideration dependent upon performance of up to EUR 4.85m may be payable over the two year period subsequent to the acquisition, therefore the total potential consideration is up to EUR 8.50m. The financial effects of the above transaction have not been brought to account at 30 June 2018. The operating results and assets and liabilities of the company will be brought to account from 4 July 2018.

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