



Gresham Technologies plc

Interim Report 2017



“In the first six months of the year Clareti licence sales grew by over 100%. We added another eight new CTC customers and doubled our Clareti recurring revenue. There’s strong demand for disruptive data solutions in global financial markets and Gresham is very well placed to capitalise on this as we enter the second half of the year.”

Ian Manocha, CEO, Gresham

Interim Report 2017

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Highlights

Group revenues

£9.9m



Clareti revenues

£4.8m



Adjusted EBITDA

£2.2m



Group annualised recurring revenues

£10.0m



Clareti annualised recurring revenues

£5.4m



Statutory profit before tax

£1.1m



Financial highlights

- Group revenues up **26%** to £9.87m (H1 16: £7.81m); and up 19% excluding the contribution from C24 Technologies ("C24") acquisition in October 2016.
- Clareti revenues up **53%** to £4.83m (H1 16: £3.16m); up 36% excluding C24.
- Clareti software revenues up **138%** to £3.72m (H1 16: £1.56m); up 103% excluding C24.
- Clareti annualised recurring revenues up **123%** to £5.41m (H1 16: £2.43m); up 74% excluding C24.
- Adjusted EBITDA up **46%** to £2.15m (H1 16: £1.47m).

Operational highlights

- Eight new CTC customers signed in H1 2017.
- Five new Clareti 24 customers signed in H1 2017.
- C24 acquisition delivering expected benefits.
- Strong progress in North American market.
- Management confident in the strategy and outlook for the Group.

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 aims to establish Clareti as the enterprise data integrity solutions “category leader” in global financial markets and thereby build a sustainable and profitable growth business based on high-margin Clareti licence sales, recurring revenue subscriptions and cloud services.

Our portfolio of innovative applications, all based on the Clareti platform, address complex financial control, risk, compliance and data governance 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 increasing need for more granular and real-time data control across the entirety of a firm’s operations. Market demand for more agile alternatives is particularly high among financial market participants, driven by a global regulatory agenda which is increasingly focussed on data integrity and governance. Gresham is ideally placed to address these needs with its modern technology and deep industry domain expertise.

As a new entrant to the market, our strategy to win early customers initially involved targeting requirements under-served by inflexible legacy technology. By the end of H1 2017, with nearly 50 customer wins since its launch, CTC is now regarded as the leading offering for the control of complex non-standardised data flows and our success is opening the opportunity for direct replacements of legacy vendors. Our integration of C24 financial message processing capability and our ongoing product development strengthens our ability to directly target our competitors’ installed base and enable our customers to move towards a preferred enterprise-wide solution. Our product development plan is to focus the majority of our resources on CTC and directly associated up-sell offerings such as Clareti Analytics, and in parallel invest in other applications based on the same platform technologies to provide additional standalone revenue streams for the future.

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 indirect channels and partnerships to extend our reach and grow market share. Our Asia Pacific business focusses on major account management and supports the Group with global customer support and delivery capability.

The C24 business, our first acquisition for nearly ten years, has now been successfully integrated and is performing as expected. The Board continues to consider further opportunities, including strategic acquisitions, to accelerate growth and market share.

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 2017:

	H1 2017	H1 2016		Variance
	£'m	£'m	£'m	%
Revenues				
Clareti Software				
Recurring (including joint venture revenue share)	2.50	1.25	1.25	100%
Non-recurring	1.22	0.31	0.91	294%
Software	3.72	1.56	2.16	138%
Services	1.11	1.60	(0.49)	(31%)
Total	4.83	3.16	1.67	53%
	KPI			
Other Solutions				
Recurring	2.34	3.05	(0.71)	(23%)
Non-recurring	2.70	1.60	1.10	69%
Total	5.04	4.65	0.39	8%
Total	9.87	7.81	2.06	26%
	KPI			
Total excluding joint venture revenue share	9.77	7.81	1.96	25%

Annualised recurring revenue (including joint venture) as at 30 June

Clareti ARR	KPI	5.41	2.43	2.98	123%
Group ARR	KPI	9.98	8.50	1.48	17%

The Group has had a strong start to the year driven by new sales growth in the Clareti business. The contribution from C24 and non-Clareti products recurring software revenues was as expected. Our professional services revenues, whilst lower than in H1 2016, was also as expected.

In the first half of the year, we won eight new CTC customers, including three in the important North America market. New customers came from our targeted industries including banking, investment management and insurance broking. In addition, we signed five standalone Clareti 24 Integration Objects sales, and a further number licensed as Clareti Adapters where the C24 IO product is offered with technical integration into CTC. New licence contracts were a mix of term and subscription, and two clients chose to deploy in the cloud with a Clareti-as-Service subscription.

In the first six months, Clareti revenues represented 49% of total Group revenues (H1 16: 40%) and, as at 30 June 2017, Clareti annualised recurring revenues (ARR) are up by 123% to £5.41m (30 June 2016: £2.43m) giving improved visibility for future years.

Earnings		H1 2017	H1 2016	Variance	
		£'m	£'m	£'m	%
Gross margin	£m	8.36	6.36	2.00	31%
Gross margin	%	86	81	5	6%
Adjusted EBITDA	KPI £m	2.15	1.47	0.68	46%
Adjusted EBITDA	%	22	19	3	16%
Statutory profit before tax	KPI £m	1.11	0.67	0.44	66%
Adjusted diluted EPS	pence	2.76	1.70	1.06	62%

Strong growth in sales of Clareti has had the expected positive impact on profitability of the Group with increased Gross Margin of 86% (H1 16: 81%), increased Adjusted EBITDA by 46% to £2.15m (H1 16: £1.47m) and increased Adjusted Diluted Earnings per Share by 63% to 2.76 pence per share (H1 16: 1.70 pence per share).

Cashflow		H1 2017	H1 2016	Variance	
		£'m	£'m	£'m	%
Operating cashflow excluding working capital		1.68	1.40	0.28	20%
Movement in working capital		0.54	-	0.54	n/a
Capital expenditure - development costs		(1.75)	(2.00)	0.25	(13%)
Capital expenditure - other		(0.10)	(0.40)	0.30	(75%)
Other		0.24	0.20	(0.04)	20%
Closing cash		7.81	3.90	3.92	101%
Cash & cash equivalents		7.21	3.90	3.32	85%
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 2017, cashflow arising from operating activities grew by 20% to £1.7m (H1 16: £1.4m) as a direct result of the Group's increasing profitability. The Group saw further net cash inflows from working capital differences, primarily from payments in advance in respect of our contracting business which totals £1.7m at 30 June 2017.

The Group's increasing cash profitability, coupled with the gain from working capital and lower capital expenditure year-on-year, means that the Group's closing cash (including bank term deposits) was £7.8m, which is higher than the previous year financial year-end (31 Dec 16: £7.21m) and significantly higher than the same point last year (30 June 16: £3.90m).

Field Operations and Customer Success

Investment in sales and marketing and an increasing repertoire of successful customer projects are all contributing towards the growing awareness of Gresham in the market.

We are pleased to have made such good progress in the North American market having planned careful investments in our New York presence with experienced leadership, additional sales and technical resources and a new office in downtown Manhattan. Our reference customers now include our flagship Tier 1 bank win from December 2016 which has successfully gone live; two US hedge funds now live with Clareti-as-a-Service in the cloud; and an additional three North American clients that signed for CTC in the first six months of 2017.

We were particularly pleased to sign one of Canada's leading banks for an enterprise scale deployment, as announced on 3 July 2017, and one of the world's largest asset managers who selected CTC to support their global operations and will deploy in both the US and Europe. These two customers are replacing legacy vendor installations as part of modernising their data integrity and control processes. North America now represents 29% of Clareti annualised recurring revenue. We expect to see increasing services demand from the region in the second half and will be investing to build our local delivery expertise.

In Europe, our fourth insurance broker won in December 2016 went live with Clareti-as-a-Service in the cloud, and we signed two new banking customers and one further customer in investment management.

In our Asia Pacific business, two new Australian customers chose to licence CTC on a project basis for data migration and regulatory reporting work.

The Group is focussed on achieving rapid return on investment for customers, exceptional levels of customer satisfaction and close ongoing dialogue with product development. Our goal is to build a highly engaged community of users, executive sponsors, industry influencers and delivery partners, in order to increase advocacy in the marketplace. Eight customers went live with CTC in the first six months, building further on our list of reference clients. There are nearly 50 Clareti platform customers (excluding standalone C24 customers) using the software live in their business daily and customer satisfaction is very good. In the first six months, we achieved a 98.5% customer satisfaction score across all our customer support tickets and an overall SLA compliance of over 99% across the Clareti software suite. Our Net Promoter Score® was 56, which would be rated as excellent against the benchmark for the software industry which is typically around 41.

The Group's consulting services operation is profitable, and new service products are being adopted alongside implementation services to ensure that customers receive the benefit of Gresham expertise throughout the lifecycle. The Group's portfolio of other products is trading in line with expectations.

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 achievements in the first half include:

- Clareti Transaction Control, our first Clareti application and our flagship offering, is fast becoming the category leader for control of non-standard transaction data in financial markets. In the first six months of 2017 we released new template functionality for ingesting data feeds, and in the second half of the year we are investing further in capability to compete more directly with the legacy vendors in their core markets.
- Clareti Analytics was launched in May to provide CTC clients with rich business insights into the operational performance of their data control functions. In addition, Clareti Analytics also provides the opportunity for clients to explore the strategic business value of their in-flight transactional and trading related data. Two new clients have already signed for this offering alongside their investment in the Clareti platform.
- Clareti-as-a-Service, our cloud platform delivered on AWS, continues to mature and has now been adopted by CTC clients in the US, UK and Asia Pacific. We have now processed over 100 million matches on this platform since launch last year and we expect volumes to grow significantly over time.
- Clareti Accounts Receivable Management (Clareti ARM) is our leading white-label offering for transaction banks. In the first six months of 2017 our offering has been enhanced with multi-bank capabilities and industry configuration templates. An implementation project has started in one of Australia's largest banks to deploy Clareti ARM alongside their CTC installation.

- Clareti 24 is the C24 technology acquired in October 2016. It is used by customers to model and transform any type of data of any complexity using a graphical development environment designed to provide a clean, simple route from model to implementation, with minimal code. We have now fully integrated the technology in to our Clareti suite of solutions and sell it alongside CTC as a Clareti Adapter.

New products still in development include:

- Clareti Data Accelerator (CDA), an emerging solution for financial markets participants struggling with poor quality in their data lakes and standing data sources. The product is maturing as proof of concept work progresses.
- Clareti Loan Control (CLC) 1.0 is in production use with Mount Street Loan Solutions LLP, our joint venture partner and first CLC customer. This cloud-based offering is the industry's first front-to-back debt servicing platform for complex loans and, in the longer term, will provide a complementary business to CTC. CLC has been enhanced with rich asset servicing functionality and we expect to complete all core product development in Q4 2017.

Outlook – Challenger to Champion

We believe the success of recent years has created an opportunity for us to move from niche challenger to the champion and de-facto standard solution in financial markets for data integrity. The Group's priorities for the next six months include scaling up the US business, which represents the single largest global market for our technology with a focus on banking and asset management. In Europe we believe there is now an opportunity to more aggressively target the legacy vendor installed base across all financial industries. In Asia Pacific we will continue to focus primarily on major account management and carefully selected new sales opportunities, and we also plan to build further on the bank to corporate white-label solutions success we have seen in the region.

Globally we will continue to strengthen our marketing, channels and alliances operations to build pipeline and awareness, and we will continue to strengthen our global delivery model to ensure project wins are successfully implemented and enable us to create loyal long-term customers and recurring revenue. We will continue to manage our non-Clareti installed base, and we expect to see a decline in our software partner fees broadly offset by an increase in our contracting business.

The Group has made an excellent start to the year, and I am confident we are building the right foundations to create a successful global enterprise financial technology champion.

Ian Manocha

Chief Executive Officer

24 July 2017

Consolidated income statement

	Notes	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Revenue	2	9,774	7,812	17,156
Cost of sales		(1,416)	(1,455)	(2,984)
Gross profit		8,358	6,357	14,172
Adjusted administrative expenses		(6,916)	(5,415)	(11,488)
Adjusted operating profit		1,442	942	2,684
Adjusting administrative items:				
Exceptional items	7	(108)	(196)	(275)
Amortisation on acquired intangibles		(203)	-	(108)
Share-based payments		(119)	(81)	(117)
		(430)	(277)	(500)
Total administrative expenses		(7,436)	(5,692)	(11,988)
Statutory operating profit		1,012	665	2,184
Share of post-tax profit of joint venture		85	-	-
Finance revenue		15	12	22
Finance costs		-	-	-
Profit before taxation		1,112	677	2,206
Taxation	3	378	241	399
Attributable to owners of the Parent		1,490	918	2,605
Earnings per share				
Statutory				
Basic earnings per share – pence	4	2.22	1.45	4.06
Diluted earnings per share – pence	4	2.15	1.40	3.92
Adjusted				
Basic earnings per share – pence	4	2.86	1.76	4.83
Diluted earnings per share – pence	4	2.76	1.70	4.67

All activities were continuing during the year.

Consolidated statement of comprehensive income

	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Attributable to the owners of the Parent	1,490	918	2,605
Other comprehensive (expense)/income			
Items that will or may be re-classified into profit or loss - exchange differences	(12)	71	86
Total other comprehensive (expense)/income	(12)	71	86
Total comprehensive income for the year	1,478	989	2,691

Consolidated statement of financial position

	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment	585	741	656
Intangible assets	19,844	12,320	18,794
Interest in joint venture	85	-	-
Deferred tax assets	1,508	563	1,151
	22,022	13,624	20,601
Current assets			
Trade and other receivables	3,789	3,584	4,759
Income tax receivable	95	797	2
Other financial assets - bank deposits	600	-	-
Cash and cash equivalents	7,214	3,909	7,206
	11,698	8,290	11,967
Total assets	33,720	21,914	32,568
Equity and liabilities			
Equity attributable to owners of the Parent			
Called up equity share capital	3,375	3,177	3,340
Share premium account	3,560	157	3,242
Other reserves	313	313	313
Foreign currency translation reserve	9	6	21
Retained earnings	15,844	12,512	14,235
Total equity attributable to owners of the Parent	23,101	16,165	21,151
Non-current liabilities			
Deferred income	287	205	267
Provisions	13	97	44
Deferred tax liability	628	-	680
Contingent consideration	-	-	378
	928	302	1,369
Current liabilities			
Trade and other payables	8,493	5,413	9,060
Financial liabilities	-	-	71
Income tax payable	-	-	139
Provisions	62	34	20
Contingent consideration	1,136	-	758
	9,691	5,447	10,048
Total liabilities	10,619	5,749	11,417
Total equity and liabilities	33,720	21,914	32,568

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 2016	3,164	9	313	(65)	11,513	14,934
Attributable profit for the period	-	-	-	-	918	918
Other comprehensive expense	-	-	-	71	-	71
Total comprehensive income	-	-	-	71	918	989
Exercise of share options	13	148	-	-	-	161
Share-based payment expense	-	-	-	-	81	81
At 30 June 2016	3,177	157	313	6	12,512	16,165
Attributable profit for the period	-	-	-	-	1,687	1,687
Other comprehensive income	-	-	-	15	-	15
Total comprehensive income	-	-	-	15	1,687	1,702
Share issue proceeds	158	3,163	-	-	-	3,321
Share transaction costs	-	(101)	-	-	-	(101)
Exercise of share options	5	23	-	-	-	28
Share-based payment expense	-	-	-	-	36	36
At 31 December 2016	3,340	3,242	313	21	14,235	21,151
Attributable profit for the period	-	-	-	-	1,490	1,490
Other comprehensive income	-	-	-	(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

Consolidated statement of cashflows

	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Cashflows from operating activities			
Profit after taxation	1,490	918	2,605
Depreciation, amortisation and impairment	879	577	1,355
Share-based payment expense	119	81	117
Share of post-tax profit from joint venture	(85)	-	-
Decrease/(increase) in trade and other receivables	946	30	(737)
(Decrease)/increase in trade and other payables	(404)	(1)	2,551
Movement in deferred tax provisions	(448)	(241)	1
Movement in provisions	11	88	21
Loss on disposal of property, plant and equipment	-	32	32
Net finance income	(15)	(12)	(22)
Cash inflow from operations	2,493	1,472	5,923
Net income taxes (paid)/received	(273)	(82)	216
Net cash inflow from operating activities	2,220	1,390	6,139
Cash flows from investing activities			
Interest received	15	12	22
Increase in financial assets-bank deposits	(600)	-	-
Purchase of property, plant and equipment	(99)	(420)	(508)
Disposal of property, plant and equipment	-	14	13
Net payments to acquire subsidiary undertaking	-	-	(3,014)
Payments to acquire intangible fixed assets	(1,752)	(2,045)	(3,779)
Net cash used in investing activities	(2,436)	(2,439)	(7,266)
Cash flows from financing activities			
Interest paid	-	-	-
Share issue proceeds	238	158	3,510
Share issue transaction costs	-	-	(101)
Net cash generated from financing activities	238	158	3,409
Net increase/(decrease) in cash and cash equivalents	22	(891)	2,282
Cash and cash equivalents at beginning of year	7,206	4,666	4,666
Exchange adjustments	(14)	134	258
Cash and cash equivalents at end of year	7,214	3,909	7,206

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 Rob Grubb on 24 July 2017.

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 2016.

The financial statements for the year ended 31 December 2016, 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. 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 are described in the Chief Executive review and include:
 - Clareti Transaction Control (CTC)
 - Clareti Analytics (CA)
 - Clareti-as-a-Service (CaaS)
 - Clareti Accounts Receivable Management (Clareti ARM)
 - Clareti 24 (C24)
 - Clareti Data Accelerator (CDA)
 - Clareti Loan Control (CLC)
- *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 2017 (unaudited)

	Clareti Solutions	Other Solutions	Contracting Services	Adjustments , central and eliminations	Consolidated
	£'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)

6 months ended 30 June 2016 (unaudited)

	Other			Adjustments, central and eliminations £'000	Consolidated £'000
	Clareti Solutions £'000	Solutions £'000	Contracting Services £'000		
Revenue					
External customer	3,162	3,427	1,223	-	7,812
Inter-segment	-	-	-	-	-
Total revenue	3,162	3,427	1,223	-	7,812
Cost of sales	(57)	(1,095)	(303)	-	(1,455)
Gross profit	3,105	2,332	920	-	6,357
	98%	68%	75%	-	81%
Contracting administrative expenses	-	-	(746)	-	(746)
Gross profit after contracting fully costed	3,105	2,332	174	-	5,611
	98%	68%	14%	-	72%
Adjusted administrative expenses		-	-	(4,669)	(4,669)
Adjusted operating profit	3,105	2,332	174	(4,669)	942
Adjusting items:					
Exceptional costs				(196)	(196)
Share-based payments				(81)	(81)
Adjusting administrative expenses				(196)	(196)
Statutory operating profit				(4,946)	665
Interest revenue					12
Interest expense					-
Profit before taxation					677
Taxation					241
Profit after taxation					918
Segment assets					21,914
Segment liabilities					(5,749)

3. Taxation

	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Current income tax			
Overseas tax charge/(credit) - adjustment to previous years	36	-	22
Overseas tax charge - current year	6	-	140
UK corporation tax charge - adjustment to previous years	-	83	166
Total current income tax	42	83	328
Deferred income tax			
(Recognition)/reversal of deferred tax asset	(454)	(356)	(863)
Tax rate change adjustments	34	32	136
Total deferred income tax	(420)	(324)	(727)
Total credit in the income statement	(378)	(241)	(399)

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

	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Basic weighted average number of shares	67,061,216	63,302,746	64,223,010
Dilutive potential ordinary shares			
Employee share options - weighted	2,379,073	2,133,073	2,198,808
Diluted weighted average number of shares	69,440,289	65,435,819	66,421,818

	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Adjusted earnings attributable to owners of the Parent	1,920	1,195	3,105
Adjusting items:			
Exceptional items	(108)	(196)	(275)
Amortisation of acquired intangibles	(203)	-	(108)
Share-based payments	(119)	(81)	(117)
Statutory earnings attributable to owners of the Parent	1,490	918	2,605
Earnings per share			
Statutory			
Basic earnings per share - pence	2.22	1.45	4.06
Diluted earnings per share - pence	2.15	1.40	3.92
Adjusted			
Basic earnings per share - pence	2.86	1.76	4.83
Diluted earnings per share - pence	2.76	1.70	4.67

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 include £76,000 associated with integration costs from the acquisition of C24 Technologies Limited and £32,000 of non-recurring exceptional professional fees. Exceptional costs in the prior year related to the closure of the Group's Denver office and reorganisation costs.

5. Dividends paid and proposed

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

6. 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 2016, available from www.greshamtech.com and remain unchanged.

7. 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 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Profit before tax	1,112	677	2,206
Adjusting items:			
Exceptional items	108	196	275
Amortisation and depreciation	508	409	1,004
Amortisation of acquired intangibles	203	-	-
Depreciation on PPE (exc Development)	117	118	224
Loss on disposal	-	-	32

Share-based payments	119	81	117
Interest received	(15)	(12)	(22)
Adjusted EBITDA	2,152	1,469	3,836

8. 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;
- 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); and
- the principal risks and uncertainties facing the Group for the period ending 30 June 2017 and anticipated for the remainder of the year ended 31 December 2017 remain consistent with those disclosed in the Group's financial statements for the year ended 31 December 2016, which are available from www.greshamtech.com.

9. 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.

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