2016 Interim Report

Gresham Computing plc

“Clareti sales continue to propel the Group forward as data integrity moves up the regulatory agenda for financial services firms. We booked six new CTC customers in the first half, including three in the US. The investments the Group has made in sales and marketing and in our Clareti-as-a-Service cloud offering are having a positive impact on our pipeline and attracting new customers.”

2016 Interim Report

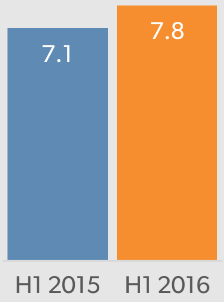
Overview

Financial statements

Highlights

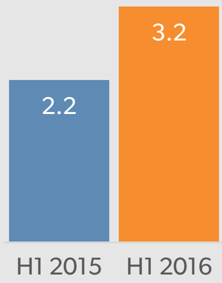
Total revenues

£7.8m



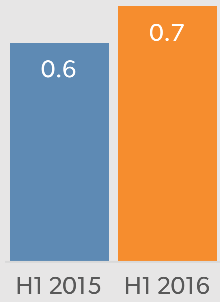
Clareti revenues

£3.2m



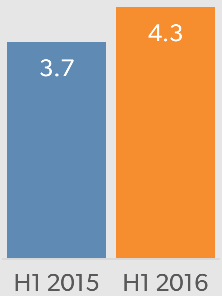
Statutory PBT

£0.7m



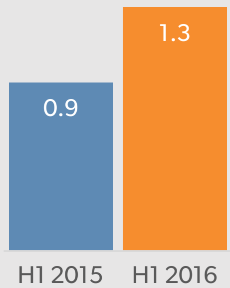
Total recurring revenues

£4.3m



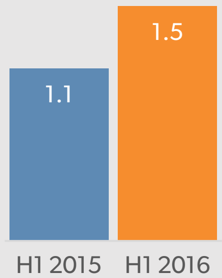
Clareti recurring revenues

£1.3m



Adjusted EBITDA*

£1.5m



- Total revenues up 10% to £7.8m (H1 15: £7.1m)
- Clareti revenues up 46% to £3.2m (H1 15: £2.2m)
- Total recurring revenues up 16% to £4.3m (H1 15: £3.7m) of which Clareti up 47% to £1.3m (H1 15: £0.9m)
- Adjusted EBITDA* up 28% to £1.5m (H1 15: £1.1m)
- Investment in sales & marketing up 45% to £1.6m (H1 15: £1.1m)
- Cash £3.9m and no debt (30 June 2015: £4.0m and no debt)
- Six new customers signed in H1, including three in the US
- Market-leading innovation labs established in Bristol, UK
- Management confident in the strategy and outlook for the Group

*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

Gresham is creating a global financial technology business based on high-margin Clareti licence sales, sustainable recurring revenue subscriptions and cloud services.

The Group aims to establish Clareti as the enterprise data integrity platform "category leader" in a world awash with real-time streaming data. Our growing portfolio of innovative applications, all based on the Clareti platform, address complex financial control, risk, compliance and broader data governance challenges. Our applications are specifically built to disrupt markets dominated by inflexible legacy technology and user developed applications. Market demand for more agile alternatives is particularly high in financial institutions 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.

The Group has now completed the transition to a global operating model and has a strong management team in place, which supports our Clareti-led growth strategy. In addition, the Board continues to consider opportunities to accelerate growth through carefully selected acquisitions.

In the first six months of the financial year total Group revenues increased by 10% to £7.8m (H1 15: £7.1m). Clareti revenues grew by 46% contributing 40% of total Group revenues (H1 15: 31%). The Group's total recurring revenues were up 16% to £4.3m (H1 15: £3.7m). Investment in sales & marketing was up 45% as planned to £1.6m (H1 15: £1.1m). Adjusted EBITDA increased by 28% to £1.5m (H1 15: £1.1m).

Trading update

The Group saw strong Clareti growth in the first half of 2016 following investment in sales and marketing made over the last year.

In the first half of the year, six new CTC customers signed up including three in the strategically important US market. The Group also signed its first Clareti-as-a-Service customer also in the US. These customers all started their subscriptions during the first half and will make a strong contribution to recurring revenues in the second half. The Group also saw strong services revenue in the period arising from these new wins in addition to existing customers utilising our consultancy expertise to further extend their use of our software.

As anticipated, since 1 July 2016 the Group has signed a North American Tier 1 bank and expects to be able to recognise revenue from this important new win later in the second half of the year once contracted milestones have been achieved. Additionally, Gresham has secured a CTC licence upgrade from an existing global investment bank customer enabling it to extend the use of the technology into new areas, including the replacement of legacy incumbent solutions. This agreement provides for an increase in recurring licence fees and a pricing framework for the bank to deploy additional data integrity controls onto the platform. The Group has also commenced a chargeable pilot project with a UK Tier 1 bank for a new use case for the Clareti platform.

Gresham now has over 30 direct CTC customers using the software live in their business on a daily basis up from 20 customers a year ago, and it was particularly pleasing to see our US reseller win their first two deals during 2016. The number of indirectly contracted customers using CTC software via white-labelled services also continues to grow with the support of our bank partners.

Clareti sales opportunities are progressing positively in all target regions following the Group's investment in sales and marketing, and we have advanced Clareti opportunities with a number of major institutions that we expect to close in the second half of the year. The Group now has experienced sales staff in the UK, Western Europe, Singapore, Australia & the US and is encouraged by the strengthening pipeline and customer wins.

Commitment to innovation

During Q2 the Group opened its new Innovation Labs at The Brewhouse in the centre of Bristol, UK. This new facility is the home for our research and development team as well as our 24/7 operations centre for cloud customers and is also proving to be a valuable sales tool when leveraged for client presentations and workshops.

We continue to invest in new product development as well as enhancing our existing offerings to address customer requirements and deliver competitive differentiation. Our achievements in the first half include:

- The core Clareti platform and associated software development processes achieved PCI Data Security Standard Level 3.2 (PCI DSS).
- Our first Clareti application, CTC, extended its lead in the industry in terms of speed of implementation, scalability and data processing performance, and operations user productivity
- Clareti Accounts Receivable Management (Clareti ARM) the leading white label offering for transaction banks was enhanced with advanced remittance advice functionality.

- The development of Clareti Loan Control (CLC) which is on-track with user acceptance testing underway with our first customer. This innovative cloud offering is the industry's first front-to-back debt servicing platform for complex loans and will provide the Group with a third Clareti line of business in 2017 in partnership with our lead CLC customer.

- Clareti-as-a-Service was launched at the start of 2016 allowing customers to deploy our technology as a fully managed cloud service from Gresham, in addition to deploying on-premise or in their private clouds.

During the first half Gresham was independently recognised as one of the top risk technology providers globally in the 2016 Chartis RiskTech100 ® report. Gresham were listed 43rd out of 100 achieving particularly strong scores for innovation, organisational strength and customer satisfaction.

Commitment to Customer Success

The Group is focussed on achieving rapid return on investment for customers, exceptional levels of customer satisfaction and close ongoing dialogue with product development. As a testimony to the speed at which Clareti can be deployed, all new customers who started their projects during the first half of the year are already using their CTC application live in production. The Group's consulting services operation is profitable, and new service products are being launched alongside implementation services to ensure that customers receive the benefit of Gresham expertise throughout the lifecycle. A new Global Director, Customer Success and Service Delivery has been hired to ensure that the Group continues to exceed customer expectations as we scale globally in addition to increasing our revenues from existing and new customers.

Other Products

The Group's portfolio of other products remains stable and is trading in line with expectations.

Financial review

Trading

The Group earns revenues from the sale of software and provision of ancillary consultancy services. Software revenues include sales of perpetual and term licences with associated support & maintenance, plus recurring software subscriptions.

The following summarises the Group's financial performance in the six months to 30 June 2016:

		H1 2016	H1 2015	Variance	
		£'m	£'m	£'m	%
Revenue-based performance					
Clareti Software					
Recurring		1.25	0.85	0.40	47%
Non-recurring		0.31	0.64	(0.33)	-52%
	KPI	1.56	1.49	0.07	5%
Clareti services		1.60	0.68	0.92	135%
Clareti revenues - total	KPI	3.16	2.17	0.99	46%
Other Software & Services					
Recurring		3.05	2.87	0.18	6%
Non-recurring		1.60	2.05	(0.45)	-22%
Other revenues - total		4.65	4.92	(0.27)	-5%
Total revenues	KPI	7.81	7.09	0.72	10%
Total recurring revenues		4.30	3.72	0.58	16%
Earnings-based performance					
Statutory profit before tax as reported		0.68	0.65	0.03	5%
Adjustments for exceptional items		0.19	0.09	0.10	111%
Adjusted profit before tax		0.87	0.74	0.13	18%
Interest income		(0.01)	(0.01)	-	0%
Amortisation and depreciation		0.53	0.39	0.14	36%
Share-based payments charge		0.08	0.03	0.05	167%
Adjusted EBITDA	KPI	1.47	1.15	0.32	28%
Adjusted EBITDA/total revenue	KPI	19%	16%	3%	
Profit after tax		0.92	0.90	0.02	2%
Basic earnings per share (pence)		1.45	1.42	0.03	2%
Diluted earnings per share (pence)		1.40	1.30	0.10	8%
Diluted earnings per share (pence) - adjusted		1.70	1.43	0.27	19%

EBITDA refers to earnings before interest, tax, depreciation and amortisation

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Clareti revenues continued to grow strongly during the period as total Clareti revenues increased by 46% to £3.2m (H1 15: £2.2m), with Clareti software revenues increasing by 5% to £1.6m (H1 15: £1.5m) and Clareti software recurring revenues increasing by 47% to £1.3m (H1 15: £0.9m). Clareti services revenues were up 135% to £1.6m (H1 15: £0.7m).

The Group continues to win new customers to use the Clareti platform in both proven and new use cases, in addition to achieving strong growth in revenues from existing customers expanding their usage of Clareti to more users and more business applications.

Total software recurring revenue for the six months ended 30 June 2016 increased by 16% to £4.3m (H1 15: £4.3m) with recurring revenue as a proportion of all revenues up slightly in the period to 55% (H1 15: 53%). Revenue from all other non-Clareti parts of the business remain in line with plan.

Adjusted EBITDA was up 28% to £1.5m (H1 15: £1.1m) despite the planned increase in sales and marketing activities which were up 45% to £1.6m (H1 15 £1.1m). Other administrative costs remain tightly controlled and saw a small decrease of 0.3% in the first half of 2016 compared to the same period last year.

Excluding exceptional charges, the Group's pre-tax profit increased by 18% to £0.9m (H1 15: £0.7m). In the first half of 2016 these exceptional charges amounted to £0.2m and relate mainly to the closure of our Denver office and relocation of our Latteridge operations to the Group's new flagship innovation labs located in Bristol, UK.

For the period to 30 June 2016, the Group recorded a net tax credit of £0.2m mainly in connection with recognition of deferred tax balances arising on enhanced research and development capital allowances and unexercised share options. This is offset by an adjustment to current tax of £0.1m from finalisation of the Group's prior years UK research and development claims. The Group is carrying forward tax losses of approximately £14.4m mainly in respect of UK subsidiaries. Of this amount £10.8m is recognised and is mostly offset by a deferred tax liability for timing differences associated with capitalisation of the Group's development costs for which the Group has received upfront capital allowances but amortisation has yet to be charged.

Basic earnings per share increased by 2% to 1.45 pence (H1 15: 1.42 pence) and diluted earnings per share adjusted for exceptional items increased by 19% to 1.70 pence (H1 15: 1.43 pence).

As a Board we are committed to commencing a progressive dividend when the circumstances are deemed to be appropriate. Whilst our priority remains to reinvest cash generated in 2016 into the business to support our strategic aims, as a Board we have a firm intention to review the position subsequent to that and consider declaring a maiden dividend in respect of financial year 2017.

Cashflow

	H1 2016	H1 2015	Variance	
	£'m	£'m	£'m	%
Statutory profit before tax as reported	**0.68**	0.65	0.03	5%
Working capital movements	**0.03**	(0.40)	0.43	-108%
Non-cash items	**0.78**	0.43	0.35	81%
Net income taxes (paid) / received	**(0.08)**	0.27	(0.35)	-130%
Cash inflows from operating activities	**1.41**	0.95	0.46	48%
Net Purchase of property, plant & equipment	**(0.41)**	(0.15)	(0.26)	173%
Payments to acquire intangible fixed assets	**(2.05)**	(1.44)	(0.61)	42%
Cash outflows from investing activities	**(2.46)**	(1.59)	(0.87)	55%
Cash inflows from exercise of share options	**0.16**	-	0.16	n/a
Net increase in cash and cash equivalents	**(0.89)**	(0.64)	(0.25)	39%
Cash and cash equivalents at 1 January	**4.67**	4.71	(0.04)	n/a
Exchange adjustments	**0.13**	(0.07)	0.20	n/a
Cash and cash equivalents at end of period	**3.91**	4.00	(0.09)	n/a

The Group continues to be funded from operating cash and has no debt. During the six months ended 30 June 2016 cashflow arising from operating activities grew by 48% to £1.4m (H1 15: £0.9m) as a direct result of the increasing profitability of the Group. Net cashflow from working capital movements and income taxes was broadly even between the first halves of 2016 and 2015.

As planned, investments in property, plant & equipment increased due to the closure of our Denver office and relocation of our Latteridge operations to the Group's new flagship innovation labs located in Bristol, UK. Investments in development activities (development costs are capitalised as intangible assets) increased due to £0.4m of temporary resource engaged in the first half to help specific client-funded product delivery. This requirement has now completed and investment in development is anticipated to return to more normalised levels in the second half of 2016.

During the period the Group received £0.2m from the exercise of employee shares options (H1 15: nil) which combined with the cash flows from operating and investing activities resulted in closing cash for the Group of £3.9m. Excluding the one-off cash outflows associated with the office reorganisations and temporary development resource in the first half of 2016, the Group is cash generative on a run-rate basis and with investment levels in product now at a constant level cash inflow is expected to increase in line with the Group's increasing profitability.

In August 2016 the Group received £0.7m in respect of its 2015 UK tax research and development claim.

Outlook

Market demand for modern transaction control and data integrity platforms continues to grow driven by the need for improved financial certainty, more granular risk controls, enhanced data governance and regulatory compliance.

Our strategy when we first brought CTC to market was to attack transaction control problems that were not well served by legacy vendors with their less flexible technology. We initially targeted complex data control challenges where customers had resorted to in-house solutions, spreadsheets and manually intensive processes. In 2016 so far we have won several direct competitor replacement deals as we have broadened our market focus. We now have more entry points into large financial institutions and a growth path to true enterprise-wide deployments and larger deal sizes. Additionally, the Group now has sales teams in all target geographic markets and a strong base of referenceable Clareti Transaction Control and Clareti Accounts Receivable Management customers. The ongoing investment in products and general availability of our cloud platform further strengthens our proposition for customers.

As a reflection of this, our pipeline includes a number of Clareti opportunities for 2016 with Tier 1 and other major institutions, some of which are at advanced stages of negotiations. We anticipate converting a number of these opportunities in the second half, providing a solid contribution to our planned Clareti revenues in current and future years.

Clareti recurring revenues continue to build steadily and the Group has approximately 90% visibility of total revenues for FY 2016. The Group's other product revenues remain stable and are performing in line with expectations.

The Board remain confident with the strategy of Clareti-led growth for the Group, and are excited by the growing market opportunity available and the outlook for the Group.

Ian Manocha
Chief Executive Officer
23 August 2016

Consolidated income statement

	Notes	**6 months ended 30 June 2016 Unaudited £'000**	6 months ended 30 June 2015 Unaudited £'000	12 months ended 31 Dec 2015 Audited £'000
Revenue	2	**7,812**	7,087	14,842
Cost of goods sold		**(1,455)**	(1,345)	(2,822)
Gross profit		**6,357**	5,742	12,020
Administrative expenses		**(5,496)**	(5,017)	(10,310)
Operating profit before exceptional charges		**861**	725	1,710
Exceptional charges		**(196)**	(90)	(149)
Operating profit		**665**	635	1,561
Finance revenue		**12**	12	21
Finance costs		**-**	-	-
Profit before taxation		**677**	647	1,582
Taxation	3	**241**	250	368
Attributable to owners of the parent		**918**	897	1,950
Earnings per share				
Basic earnings per share - pence	4	**1.45**	1.42	3.08
Diluted earnings per share - pence	4	**1.40**	1.30	2.98
Basic earnings per share excluding exceptional charges - pence	4	**1.76**	1.56	3.32
Diluted earnings per share excluding exceptional charges - pence	4	**1.70**	1.43	3.21

All activities were contining during the year.

Consolidated statement of comprehensive income

	6 months ended 30 June 2016 Unaudited £'000	6 months ended 30 June 2015 Unaudited £'000	12 months ended 31 Dec 2015 Audited £'000
Attributable profit for the year	**918**	897	1,950
Other comprehensive income/(expense)			
Exchange differences on translation of foreign operations	**71**	(60)	(27)
	71	(60)	(27)
Total comprehensive income for the year	**989**	837	1,923

The tax effect of exchange differences recorded within the Consolidated statement of comprehensive income is a charge of £14,000 (2015: credit £12,000).

Consolidated statement of financial position

	30 June 2016 Unaudited £'000	30 June 2015 Unaudited £'000	31 Dec 2015 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment	741	586	499
Intangible assets	12,320	9,490	10,648
Deferred tax assets	563	547	239
	13,624	10,623	11,386
Current assets			
Trade and other receivables	3,584	2,886	3,472
Income tax receivable	797	1,240	892
Cash and cash equivalents	3,909	4,000	4,666
	8,290	8,126	9,030
Total assets	21,914	18,749	20,416
Equity and liabilities			
Equity attributable to owners of the parent			
Called up equity share capital	3,177	3,162	3,164
Share premium account	157	-	9
Other reserves	313	313	313
Foreign currency translation reserve	6	(98)	(65)
Retained earnings	12,512	10,379	11,513
Total equity attributable to owners of the parent	16,165	13,756	14,934
Non-current liabilities			
Deferred income	205	70	53
Provisions	97	35	24
	302	105	77
Current liabilities			
Trade and other payables	5,413	4,789	5,294
Financial liabilities	-	-	3
Income tax payable	-	99	89
Provisions	34	-	19
	5,447	4,888	5,405
Total liabilities	5,749	4,993	5,482
Total equity and liabilities	21,914	18,749	20,416

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency revaluation £'000	Retained earnings £'000	Total £'000
At 1 January 2015	3,162	16,522	313	(38)	(7,069)	12,890
Attributable profit for the period	-	-	-	-	897	897
Other comprehensive expense	-	-	-	(60)	-	(60)
Total comprehensive income	-	-	-	(60)	897	837
Share premium cancellation	-	(16,522)	-	-	16,522	-
Share based payment	-	-	-	-	29	29
At 30 June 2015	3,162	-	313	(98)	10,379	13,756
Attributable profit for the period	-	-	-	-	1,053	1,053
Other comprehensive income	-	-	-	33	-	33
Total comprehensive income	-	-	-	33	1,053	1,086
Exercise of share options	2	9	-	-	-	11
Share based payment	-	-	-	-	81	81
At 31 December 2015	3,164	9	313	(65)	11,513	14,934
Attributable profit for the period	-	-	-	-	918	918
Other comprehensive income	-	-	-	71	-	71
Total comprehensive income	-	-	-	71	918	989
Exercise of share options	13	148	-	-	-	161
Share based payment	-	-	-	-	81	81
At 30 June 2016	**3,177**	**157**	**313**	**6**	**12,512**	**16,165**

Share Premium cancellation

On 24 February 2015 at a shareholder general meeting, the Company approved a resolution to reduce the Company’s share capital by the cancellation of its Share Premium Account which was subsequently confirmed by the High Court of Justice on 18 March 2015.

Consolidated statement of cashflows

	6 months ended 30 June 2016 Unaudited £'000	6 months ended 30 June 2015 Unaudited £'000	12 months ended 31 Dec 2015 Audited £'000
Cashflows from operating activities			
Profit before taxation	**677**	647	1,582
Depreciation, amortisation and impairment	**577**	392	976
Share-based payment expense	**81**	29	110
Decrease/(increase) in trade and other receivables	**30**	357	(217)
Decrease in trade and other payables	**(1)**	(758)	(277)
Movement in provisions	**88**	8	7
Loss on disposal of property, plant and equipment	**32**	-	-
Net finance expense	**(12)**	(12)	(21)
Cash inflow from operations	**1,472**	663	2,160
Net income taxes (paid)/received	**(82)**	274	1,035
Net cash inflow from operating activities	**1,390**	937	3,195
Cashflow from investing activities			
Interest received	**12**	12	21
Proceeds from disposal of property, plant and equipment	**14**	-	-
Purchase of property, plant and equipment	**(420)**	(152)	(217)
Payments to acquire intangible fixed assets	**(2,045)**	(1,436)	(3,014)
Net cash used in investing activities	**(2,439)**	(1,576)	(3,210)
Cashflows from financing activities			
Share issue	**158**	-	11
Net cash generated from financing activities	**158**	-	11
Net decrease in cash and cash equivalents	**(891)**	(639)	(4)
Cash and cash equivalents at beginning of year	**4,666**	4,707	4,707
Exchange adjustments	**134**	(68)	(37)
Cash and cash equivalents at end of period	**3,909**	4,000	4,666

Notes to the interim report

1. Basis of preparation

Gresham Computing plc (LSE: "GHT", "Gresham" or the "Company" or the "Group") 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 23 August 2016.

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 2015.

The financial statements for the year ended 31 December 2015, 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.gresham-computing.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.

During the year ended 31 December 2015 the Group re-evaluated the internal presentation of its operating segments to more appropriately aggregate the differing sets of risks that the Group's businesses face.

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 ("CTC") currently and for future periods will include other associated Clareti platform applications.
- Other Solutions - supply of a range of well established solutions to enterprise-level customers in a variety of end markets.

The change has had the following impact on classification of operating segments:

Previous classification		*Current classification*
RTFS	CTC	Clareti Solutions
	Non-CTC RTFS	Other Solutions
Legacy Products		Other Solutions

"RTFS" refers to Real-Time Financial Solutions and "EMEA" refers to Europe, the Middle East and Africa.

Disclosures in respect of the 6 months ended 30 June 2015 have been updated accordingly.

6 Months Ended 30 June 2016 (unaudited)

	Clareti Solutions £'000	Other Solutions £'000	Adjustments, central and eliminations £'000	Total £'000
Revenue				
External customer	**3,162**	**4,650**	**-**	**7,812**
Inter-segment	**-**	**-**	**-**	**-**
Total revenue	**3,162**	**4,650**	**-**	**7,812**
Cost of sales	**(57)**	**(1,398)**	**-**	**(1,455)**
Gross profit	**3,105**	**3,252**	**-**	**6,357**
	98%	*70%*		*81%*
Administrative expenses			**(5,496)**	**(5,496)**
Operating profit/(loss)	**3,105**	**3,252**	**(5,496)**	**861**
Interest revenue				**12**
Interest expense				**-**
Profit before taxation before exceptional items				**873**
Exceptional items				**(196)**
Profit before taxation after exceptional items				**677**
Taxation				**241**
Profit after taxation				**918**

6 months ended 30 June 2015 (unaudited)

	Clareti Solutions £'000	Other Solutions £'000	Adjustments, central and eliminations £'000	Total £'000
Revenue				
External customer	2,174	4,913	-	7,087
Inter-segment	-	-	-	-
Total revenue	2,174	4,913	-	7,087
Cost of sales	(39)	(1,306)	-	(1,345)
Gross profit	2,135	3,607	-	5,742
	98%	*73%*		*81%*
Administrative expenses			(5,017)	(5,017)
Operating profit/(loss)	2,135	3,607	(5,017)	725
Interest revenue				12
Interest expense				-
Profit before taxation before exceptional items				737
Exceptional items				(90)
Profit before taxation after exceptional items				647
Taxation				250
Profit after taxation				897

3. Taxation

	6 months ended 30 June 2016 Unaudited £'000	6 months ended 30 June 2015 Unaudited £'000	12 months ended 31 Dec 2015 Audited £'000
Current Tax			
UK Corporation tax charge/(credit) - current year	**-**	(325)	(892)
UK Corporation tax charge/(credit) - adjustment to prior year	**83**	-	98
Overseas tax charge/(credit) - current year	**-**	75	139
Overseas tax charge/(credit) - adjustment to prior year	**-**	-	(21)
	83	(250)	(676)
Deferred Tax			
Derecognition/(recognition) of deferred tax asset	**(356)**	-	322
Tax rate change adjustment	**32**	-	(14)
	(324)	-	308
Tax credit	**(241)**	(250)	(368)

4 . Earnings per ordinary share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	6 months ended 30 June 2016 Unaudited £'000	6 months ended 30 June 2015 Unaudited £'000	12 months ended 31 Dec 2015 Audited £'000
Net profit attributable to owners of the parent	**918**	897	1,950
	Number	Number	Number
Basic weighted average number of shares	**63,302,746**	62,233,478	63,238,526
Dilutive potential ordinary shares:			
Employee share options	**2,133,073**	5,658,000	2,178,202
Diluted weighted average number of shares	**65,435,819**	67,891,478	65,416,728

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this interim statement.

5. Dividends paid and proposed

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

6. 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 2015, available from www.gresham-computing.com and remain unchanged.

7. Adjusted EBITDA reconciliation

Adjusted EBITDA for the Group's operations is calculated as EBITDA excluding exceptional charges, reconciled as follows:

	6 months ended 30 June 2016 Unaudited £'000	6 months ended 30 June 2015 Unaudited £'000
Profit before tax including exceptional charge	**677**	647
Exceptional charge	**196**	90
Profit before tax excluding exceptional charge	**873**	737
Amortisation and depreciation	**527**	392
Share option charge	**81**	29
Interest net	**(12)**	(12)
Adjusted EBITDA profit	**1,469**	1,146

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; 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.

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 parties 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.

Prior to publication, the information contained within this announcement was deemed to constitute inside information under the Market Abuse Regulations (EU) No 596/2014 ("MAR").

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