

**7 August 2012**

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

Gresham Computing plc, the specialist provider of software based solutions that enable customers to achieve real-time financial certainty in transaction and cash management, is pleased to report its half-yearly results for the 6 months ended 30 June 2012.

Highlights for the 6 months ended 30 June 2012 are set out below:

- Revenue up 11% to £6.02m driven by continued Real-Time Financial Solutions growth;
- Adjusted EBITDA profit up 16% to £0.94m (H1 2011: £0.81m);
- Profit before tax up 25% to £0.71m (H1 2011: £0.57m);
- Basic EPS up 44% to 1.53 pence (H1 2011: 1.06 pence);
- Cash £2.9m (30 June 2011: £2.9m);
- Confirmed order book and pipeline strong;
- ANZ live with Clareti Transaction Control; and
- Management confident about outlook.

Chris Errington, CEO of Gresham, commented:

"We continue to deliver against our strategy and are making significant progress with Clareti Transaction Control (CTC). We are now well positioned in our pursuit of a number of strategic objectives."

**Gresham Computing plc** +44 (0) 20 7653 0200  
Chris Errington, CEO  
Rob Grubb, CFO

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Shaun Dobson, Head of Corporate Finance  
Nick Donovan, Corporate Finance

## **CEO Operational Review**

Gresham Computing plc is a specialist provider of software based solutions that enable customers to achieve real-time financial certainty in transaction and cash management. We aim to be the market leader in transaction integrity solutions – giving financial institutions and their customers, real-time financial certainty in their transaction processing. Our strategy is to build long term annuity revenues from existing and new customers to increase the visibility of revenues going into future years.

In summary:

- our financial performance is on track;
- we are making significant progress with our new technology, CTC;
- we are working with ANZ and Barclays to roll out our technology to their customers;
- other lines of business are delivering results; and
- we are well positioned in our pursuit of a number of strategic opportunities.

Results for the 6 months to 30 June 2012 saw revenues up 11% and profit before tax up 25%. The improving results were driven by continued growth in our Real-Time Financial Solutions business.

We are making significant progress with Clareti Transaction Control (CTC), our easily deployed flagship strategic technology platform. CTC enables customers to quickly and accurately identify and resolve operational risks, reduce financial transaction loss events, quickly reconcile, verify and validate transactions, comply with regulatory requirements and optimize business performance.

Australia and New Zealand Banking Group Ltd (ANZ) went live with CTC in the period, which ANZ offers as a service to their corporate customers under the name ANZ Cashactive Fusion. This solution helps organisations managing large volumes of payments and collections with optimising working capital and finance team efficiency. By streamlining and automating the capturing and reconciliation of financial information to drive insight-led business decisions, it is ideal for organisations in financial services, utilities, telecommunications, health and property sectors.

In addition, our Virtual Bank Accounts technology now underpins two further ANZ solutions, ANZ Cashactive Virtual and ANZ Cashactive Control, introduced in December 2011 and April 2012 respectively. While both solutions provide a robust and efficient way of managing, segregating and reconciling funds, they offer the flexibility of addressing different business needs. ANZ Cashactive Control is specifically targeted at helping organisations in accounting, legal, property, government or specialist financial sectors with the compliance obligations involved in managing client monies. When it comes to managing intra-company funds, ANZ Cashactive Virtual is relevant to any organisation looking to maximise their liquidity in today's challenging environment.

We also made further progress with our existing deployment of Virtual Bank Accounts technology at Barclays, where customer numbers grew significantly in the period. The solution provides a robust and efficient way of managing, segregating and reconciling funds targeted at helping organisations in accounting, legal, property, government or specialist financial sectors with the compliance obligations involved in managing client monies.

All other parts of the business delivered a creditable performance enabling us to grow both revenues and profits overall. We continued to make good progress with our Clareti Banking and Clareti Lending solutions, targeted at financial institutions in the Caribbean region,

winning several new assignments and receiving excellent feedback on our relevance and delivery capabilities.

## Financial Review

### Trading

The following table summarises the Group's financial performance in the period:

	<b>6 months</b>	<b>6 months</b>	
	<b>30 June 2012</b>	<b>30 June 2011</b>	
	<b>£m</b>	<b>£m</b>	<b>%</b>
Software	1.62	1.59	2%
Real-time financial solutions	4.40	3.84	15%
<b>Total revenues</b>	<b>6.02</b>	<b>5.43</b>	11%
<b>Profit before tax</b>	<b>0.71</b>	<b>0.57</b>	
Amortisation and depreciation charges	0.17	0.13	
Share option charges	0.07	0.12	
Interest net	(0.01)	(0.01)	
<b>Adjusted EBITDA profit</b>	<b>0.94</b>	<b>0.81</b>	

Revenues grew 11% to £6.02m in the first half with growth mainly attributable to our Real-Time Financial Solutions business, which grew 15% to £4.40m from £3.84m in H1 2011. This growth was driven by license revenues associated with the launch of the ANZ products and growth in SaaS revenues. The Software business performed slightly ahead of our expectations through higher license sales.

Overall, 53% of revenues arose from annuity maintenance and SaaS contracts, with a further 31% from professional services work and the remaining 16% from sales of licenses.

In our Real-Time Financial Solutions business, 44% of revenues arose from annuity maintenance and SaaS contracts, 42% from professional services and 14% from license sales. The new line of revenue arising from our ANZ contract contributed strongly to results in the period and lifted the performance of our Asia Pacific business generally through increases in license, professional services and annuity SaaS based revenues. This new line of income now provides a good balance for our existing, and similar, contract with Barclays.

In our Software business, 78% of revenues arose from annuity maintenance and SaaS contracts and the remaining 22% from sales of licenses. Licenses were slightly higher than we had expected in the period.

During the period, we completed the restructuring of a loss making business unit. The cost of this restructuring was charged against a provision made in the prior year.

### Working capital and cash

	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>
Cash at 1 January	3.6	3.1
Net cash inflow from operating activities	0.0	0.4
Net cash (used in) / generated from investing activities	(0.7)	(0.6)
Net cash generated from financing activities	0.0	0.0
Cash at 30 June	<b>2.9</b>	<b>2.9</b>

Cash was in line with our expectations taking into account the seasonality of maintenance incomes, non-recurring payments made in the period and our continued investment in tangible and intangible assets associated with new product development. The business restructuring gave rise to a £0.3m operating cash outflow in the period.

### ***Taxation***

At 30 June 2012, the Group had total tax losses carried forward for offset against future trading profits of approximately £12m. As a result, the Group has no material tax charge or liability and should be sheltered from UK tax in particular for quite some time.

For the period to 30 June 2012, the Group has recorded a tax credit of £0.13m in connection with a research and development tax credit related to new product development, and a further £0.05m in connection of recognition of certain trading losses as a deferred tax asset.

### **Investment in development of new solutions**

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

Clareti Transaction Control (CTC) is our flagship technology platform arising from this investment, providing the core of our transaction control solutions around which we are able to add packaged modules that offer additional functionality. Central to our solutions is a robust integration technology that brings the necessary data in from often disparate systems.

### **Outlook**

We are now well positioned in our pursuit of a number of strategic objectives and remain confident of meeting full year expectations.

Based on feedback from customers and successful proof of concepts, we expect to make significant progress with our CTC platform technology in the second half of 2012 and beyond.

Chris Errington  
CEO  
6 August 2012

**Consolidated Income Statement  
For the period ended 30 June 2012**

		<b>6 months ended 30 June 2012 Unaudited £'000</b>	<b>6 months ended 30 June 2011 Unaudited £'000</b>	<b>12 months ended 31 December 2011 Audited £'000</b>
<b>Revenue</b>	2	6,016	5,430	11,593
Cost of goods sold		(1,413)	(1,087)	(2,189)
Gross profit		4,603	4,343	9,404
Administrative expenses		(3,906)	(3,788)	(8,077)
<b>Trading profit</b>		<b>697</b>	<b>555</b>	<b>1,327</b>
Finance revenue		16	24	46
Finance costs		(2)	(10)	(16)
<b>Profit before tax</b>		<b>711</b>	<b>569</b>	<b>1,357</b>
Taxation	3	181	50	390
<b>Attributable to equity holders of the parent</b>	2, 6	<b>892</b>	<b>619</b>	<b>1,747</b>
<b>Earnings per share (total and continuing)</b>				
Basic earnings per share - pence	4	1.53	1.06	3.01
Diluted earnings per share - pence	4	1.38	0.97	2.74

All activities were continuing during the year.

**Consolidated Statement of Comprehensive Income  
For the period ended 30 June 2012**

	<b>6 months ended 30 June 2012 Unaudited £'000</b>	<b>6 months ended 30 June 2011 Unaudited £'000</b>	<b>12 months ended 31 December 2011 Audited £'000</b>
Attributable profit for the period	892	619	1,747
<i>Other comprehensive income</i>			
Exchange differences on translation of foreign operations	(17)	26	14
Net income recognised directly in equity	(17)	26	14
<b>Total comprehensive income for the year</b>	<b>875</b>	<b>645</b>	<b>1,761</b>

**Consolidated Statement of Financial Position  
At 30 June 2012**

		<b>At 30 June 2012</b>	<b>At 30 June 2011</b>	<b>At 31 December 2011</b>
	<b>Notes</b>	<b>Unaudited £'000</b>	<b>Unaudited £'000</b>	<b>Audited £'000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant & equipment		279	339	310
Intangible assets		3,524	2,349	2,914
Deferred tax asset		450	200	400
		<hr/> 4,253	<hr/> 2,888	<hr/> 3,624
<b>Current assets</b>				
Trade and other receivables		2,513	2,304	3,131
Income tax receivable		421	197	290
Cash and cash equivalents		2,856	2,909	3,602
		<hr/> 5,790	<hr/> 5,410	<hr/> 7,023
<b>Total assets</b>		<hr/> <b>10,043</b>	<hr/> <b>8,298</b>	<hr/> <b>10,647</b>
<b>Equity &amp; Liabilities</b>				
<b>Equity attributable to equity holders of the parent</b>				
Called up equity share capital	6	2,907	2,907	2,907
Share premium account	6	13,124	13,124	13,124
Other reserves	6	1,039	1,039	1,039
Foreign currency translation reserve	6	343	372	360
Retained earnings	6	(12,427)	(14,696)	(13,393)
	6	<hr/> 4,986	<hr/> 2,746	<hr/> 4,037
<b>Non-current liabilities</b>				
Deferred income		705	1,151	929
Provisions		166	411	448
		<hr/> 871	<hr/> 1,562	<hr/> 1,377
<b>Current liabilities</b>				
Trade, other payables and deferred income		3,905	3,925	4,962
Financial liabilities		18	-	18
Income tax payable		-	2	-
Provisions		263	63	253
		<hr/> 4,186	<hr/> 3,990	<hr/> 5,233
<b>Total liabilities</b>		<hr/> 5,057	<hr/> 5,552	<hr/> 6,610
<b>Total equity and liabilities</b>		<hr/> <b>10,043</b>	<hr/> <b>8,298</b>	<hr/> <b>10,647</b>

## Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation reserves £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2011</b>	2,907	13,124	1,039	346	(15,440)	1,976
Attributable profit for the period	-	-	-	-	619	619
Other comprehensive income	-	-	-	26	-	26
Total comprehensive	-	-	-	26	619	645
Share based payment	-	-	-	-	125	125
<b>At 30 June 2011</b>	2,907	13,124	1,039	372	(14,696)	2,746
Attributable profit for the period	-	-	-	-	1,128	1,128
Other comprehensive income	-	-	-	(12)	-	(12)
Total comprehensive	-	-	-	(12)	1,128	1,116
Share based payment	-	-	-	-	175	175
<b>At 31 December 2011</b>	2,907	13,124	1,039	360	(13,393)	4,037
Attributable profit for the period	-	-	-	-	892	892
Other comprehensive income	-	-	-	(17)	-	(17)
Total comprehensive	-	-	-	(17)	892	875
Share based payment	-	-	-	-	74	74
<b>At 30 June 2012</b>	2,907	13,124	1,039	343	(12,427)	4,986

**Consolidated Statement of Cash flows**  
**For the period ended 30 June 2012**

	<b>6 months ended 30 June 2012 Unaudited £'000</b>	<b>6 months ended 30 June 2011 Unaudited £'000</b>	<b>12 months ended 31 December 2011 Audited £'000</b>
<b>Cash flows from operating activities</b>			
Profit before taxation	711	569	1,357
Depreciation, amortisation & impairment	173	132	324
Share based payment expense	74	125	300
Decrease / (increase) in trade and other receivables	618	793	(132)
Decrease in trade and other payables	(1,281)	(1,206)	(392)
Movement in provisions	(272)	(12)	215
Revaluation of foreign exchange instrument	-	-	18
Net finance income	(16)	(21)	(39)
<b>Cash (outflow) / inflow from operations</b>	<b>7</b>	<b>380</b>	<b>1,651</b>
Net income taxes (paid) / received	-	(1)	114
<b>Net cash (outflow) / inflow from operating activities</b>	<b>7</b>	<b>379</b>	<b>1,765</b>
<b>Cash flows from investing activities</b>			
Interest received	16	24	46
Purchase of property, plant and equipment	(51)	(65)	(154)
Payments to acquire intangible fixed assets	(711)	(574)	(1,213)
<b>Net cash used in investing activities</b>	<b>(746)</b>	<b>(615)</b>	<b>(1,321)</b>
<b>Cash flows from financing activities</b>			
Interest paid	-	(3)	(7)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(3)</b>	<b>(7)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(739)</b>	<b>(239)</b>	<b>437</b>
Cash and cash equivalents at beginning of period	3,602	3,146	3,146
Exchange adjustments	(7)	2	19
<b>Cash and cash equivalents at end of period</b>	<b>2,856</b>	<b>2,909</b>	<b>3,602</b>



## **Notes to the condensed interim financial statements**

### **1 Basis of preparation**

These condensed interim financial statements are unaudited and do not constitute statutory accounts within the meaning of the Companies Act 2006. These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', the Disclosure and Transparency Rules and the Listing Rules of the Financial Services Authority ('FSA'), and were approved on behalf of the Board by the Chief Executive Officer Chris Errington and Chief Financial Officer Rob Grubb on 6 August 2012.

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 2011.

The financial statements for the year ended 31 December 2011, which were prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on those financial statements was unqualified and did not contain a statement made under s498(2) or (3) of the Companies Act 2006.

Copies of these condensed interim financial statements and the Group's most recent annual financial statements are available on request by writing to the Company Secretary at our registered office Gresham Computing plc, Sopwith House, Brook Avenue, Warsash, Southampton, SO31 9ZA, or from our website [www.gresham-computing.com](http://www.gresham-computing.com)

## 2 Segmental information

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

During the period, the Group has reclassified its Research & Development costs, and Central Group costs from *EMEA RTFS* to *Adjustments, central & eliminations*. The segmental information below for the period ended 30 June 2011 has been restated accordingly.

### 6 Months Ended 30 June 2012 (unaudited)

	<i>Software</i> £000	<i>North</i> <i>America</i> <i>RTFS</i> £000	<i>Asia</i> <i>Pacific</i> <i>RTFS</i> £000	<i>EMEA</i> <i>RTFS</i> £000	<i>Adjustments,</i> <i>central &amp;</i> <i>eliminations</i> £000	<i>Consolidated</i> £000
<i>Revenue</i>						
External customer	1,624	796	2,065	1,531	-	6,016
Inter-segment	-	-	44	54	(98)	-
Total revenue	1,624	796	2,109	1,585	(98)	6,016
Profit / (loss) before taxation	1,226	76	456	(8)	(1,039)	711
Taxation	-	-	-	-	181	181
Profit / (loss) before taxation	1,226	76	456	(8)	(858)	892
Segment assets	443	598	1,201	1,242	6,559	10,043

### 6 Months Ended 30 June 2011 (unaudited & restated)

	<i>Software</i> £000	<i>North</i> <i>America</i> <i>RTFS</i> £000	<i>Asia</i> <i>Pacific</i> <i>RTFS</i> £000	<i>EMEA</i> <i>RTFS</i> £000	<i>Adjustments,</i> <i>central &amp;</i> <i>eliminations</i> £000	<i>Consolidated</i> £000
<i>Revenue</i>						
External customer	1,587	764	1,004	2,040	35	5,430
Inter-segment	-	-	73	-	(73)	-
Total revenue	1,587	764	1,077	2,040	(38)	5,430
Profit / (loss) before taxation	1,279	55	77	463	(1,305)	569
Taxation	-	-	-	-	50	50
Profit / (loss) after taxation	1,279	55	77	463	(1,255)	619
Segment assets	310	391	1,592	1,411	4,594	8,298

### 3 Taxation

	<b>6 months ended 30 June 2012 Unaudited £'000</b>	<b>6 months ended 30 June 2011 Unaudited £'000</b>	<b>12 months ended 31 December 2011 Audited £'000</b>
<i>Current Tax</i>			
UK Corporation tax credit	(131)	(50)	(243)
Overseas withholding tax	-	-	70
	(131)	(50)	(173)
Amounts over provided in previous years – UK	-	-	(29)
Amounts under provided in previous years – Overseas	-	-	12
	(131)	(50)	(190)
<i>Deferred Tax</i>			
Recognition of deferred tax asset	(50)	-	(228)
Tax rate change adjustments	-	-	28
	(50)	-	(220)
Tax credit	(181)	(50)	(390)

#### 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:

	<b>6 months ended 30 June 2012 Unaudited £'000</b>	<b>6 months ended 30 June 2011 Unaudited £'000</b>	<b>12 months ended 31 December 2011 Audited £'000</b>
Net profit attributable to equity holders of the parent	892	619	1,747
	<b>Number</b>	<b>Number</b>	<b>Number</b>
Basic weighted average number of shares	58,135,978	58,135,978	58,135,978
Dilutive potential ordinary shares:			
Employee share options	6,638,000	5,871,931	5,522,167
Diluted weighted average number of shares	64,773,978	63,635,978	63,658,145

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

#### 5 Dividends paid and proposed

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

## 6 Reconciliation of movements in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation reserves £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2011</b>	2,907	13,124	1,039	346	(15,440)	1,976
Attributable profit for the period	-	-	-	-	619	619
Other comprehensive income	-	-	-	26	-	26
Total comprehensive	-	-	-	26	619	645
Share based payment	-	-	-	-	125	125
<b>At 30 June 2011</b>	2,907	13,124	1,039	372	(14,696)	2,746
Attributable profit for the period	-	-	-	-	1,128	1,128
Other comprehensive income	-	-	-	(12)	-	(12)
Total comprehensive	-	-	-	(12)	1,128	1,116
Share based payment	-	-	-	-	175	175
<b>At 31 December 2011</b>	2,907	13,124	1,039	360	(13,393)	4,037
Attributable profit for the period	-	-	-	-	892	892
Other comprehensive income	-	-	-	(17)	-	(17)
Total comprehensive	-	-	-	(17)	892	875
Share based payment	-	-	-	-	74	74
<b>At 30 June 2012</b>	2,907	13,124	1,039	343	(12,427)	4,986

## 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 2011, available from [www.gresham-computing.com](http://www.gresham-computing.com) and remain unchanged.

## 8 Adjusted EBITDA reconciliation

Adjusted EBITDA is calculated as EBITDA before non-cash share option charges, reconciled as follows:

	<b>6 months ended 30 June 2012 £'000</b>	<b>6 months ended 30 June 2011 £'000</b>
Profit before tax	711	569
Amortisation and depreciation	173	132
Share option charges	74	125
Interest net	(14)	(14)
Adjusted EBITDA profit	944	812

## 9 Statement of directors' responsibilities

The Directors are responsible for preparing the half-yearly financial report, in accordance with applicable law and regulations.

The Directors confirm, to the best of their knowledge that this condensed set of financial statements:

- has been prepared in accordance with IAS 34 as adopted by the European Union; and
- includes a fair review of the information required by Rules 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority.

## 10 Related Party Transactions

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