

11 August 2014

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

Gresham, the leading software and services company that specialises in providing real-time financial transaction control software to the global matching and reconciliation market, reports its half-yearly results for the 6 months ended 30 June 2014.

Highlights for continuing operations in the 6 months ended 30 June 2014 are set out below:

- Four new CTC wins since our May 2014 update, including two new key accounts;
- CTC revenues up 67% to £2.0m (H1 13: £1.2m);
- Total revenues £6.4m (H1 13: £6.4m), up 10% at constant currencies;
- Profit before tax £0.6m (H1 13: £0.7m), Profit after tax £0.8m (H1 13: £0.7m), EBITDA profit of £0.9m (H1 13: £0.9m) after additional investment of £0.4m to drive CTC revenue growth;
- Cash £4.8m and no debt (31 Dec 13: £4.4m and no debt);
- Management continue to be confident about outlook.

Chris Errington, CEO of Gresham, commented:

“Having made additional investments in CTC during the period in order to accelerate the commercialisation of our market-leading product, I am pleased to report growth in CTC customers, revenues and the pipeline of prospects. I am confident of reporting further progress for the remainder of 2014 and beyond, driven by CTC.”

Gresham Computing plc

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CEO Operational Review

Gresham is a leading software and services company that specialises in providing real-time financial transaction control software to the global matching and reconciliation market.

Our long term objective is to be recognised as a market leader in real-time financial transaction control in order to drive profitable growth and build shareholder value. We are executing a strategic plan to achieve this objective built around developing, selling and supporting a leading matching and reconciliation software developed by Gresham and called CTC. Further information concerning the Company's objectives, strategy and business model can be found in the Strategic Report section of the Annual Financial Report for 2013.

As planned, during the period, and with the benefit of a December 2013 firm placing to raise £2.9m net of expenses, we accelerated the commercialisation of CTC through additional investment in: CTC development, global sales operations (including new sales offices and staff in North America and Singapore) and global CTC support infrastructure.

I am pleased to report CTC revenues up 67% in the period. Our progress with selling and commercialising CTC in the period is summarised below:

- Since our May 2014 IMS, four new customers have signed for CTC, including two new key CTC customer accounts:
 - One of the world's largest banking and financial services organisations purchased CTC to assist with the matching and reconciliation of complex and non-standardised transactions in their Investment Bank;
 - A global provider of banking and funds management services purchased CTC to offer as a service to its broker dealer customers in North America for the matching and reconciliation of derivative transactions;
 - One of the largest retail businesses in the UK purchased CTC to manage matching and reconciliation of complex and non-standardised transactions in its central shared services operation;
 - A major financial derivatives dealer in the UK purchased CTC for real-time matching and reconciliation; and
 - We commenced further CTC proof-of-concept engagements with major banks, financial institutions and corporates.
- As previously announced in our May 2014 IMS, earlier in the year:
 - A major bank purchased CTC for real-time intersystems matching and reconciliation, expanding the use of CTC in this key customer account from the corporate to the investment bank side of operations; and
 - A back office processing company serving clients across Asia Pacific purchased CTC to provide real-time matching and reconciliation.

This progress with CTC takes us from 3 key CTC customer accounts entering the year to 5 key CTC customer accounts at the date of this report. Key customer accounts are those that have the potential to generate CTC revenues in excess of £3m over a 5 year period.

The majority of these new CTC engagements were again won in competition with well-established market vendors and often against the customer's incumbent vendor for this type of solution. We were in most cases selected because of CTC's ability to rapidly accept, match and reconcile complex and non-standard data.

We also continued to deliver a strong contribution from our other RTFS and Software businesses.

Financial Review

Trading

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

		<i>Continuing</i>		Variance		
		H1 2014	H1 2013	£m	%	
		£m	£m	£m	%	
Revenue based performance:						
Real-Time Financial Solutions	CTC revenue	KPI	2.0	1.2	0.8	67%
	Other RTFS revenue		3.1	4.0	(0.9)	-23%
			<u>5.1</u>	<u>5.2</u>	(0.1)	-2%
Software			1.3	1.2	0.1	8%
Total revenues		KPI	<u>6.4</u>	<u>6.4</u>	0.0	0%
<i>Included in total revenues:</i>						
	CTC recurring revenue	KPI	0.3	0.1	0.2	200%
	Other recurring revenue	KPI	2.8	2.7	0.1	4%
	Total recurring revenue	KPI	<u>3.1</u>	<u>2.8</u>	0.3	11%
Earnings based performance:						
Profit before tax		KPI	0.60	0.70	(0.10)	-14%
Interest income			(0.02)	(0.02)	0.00	0%
Amortisation and depreciation			0.31	0.26	0.05	18%
EBITDA		KPI	<u>0.89</u>	<u>0.94</u>	(0.06)	-6%
EBITDA / Total revenue		KPI	<u>14%</u>	<u>15%</u>	(0.01)	-6%
Profit after tax			0.84	0.69	0.15	21%
Basic Earnings per Share (pence)			1.35	1.19	0.2	13%

During the period, we increased CTC revenues by 67% to £2.0m (H1 13: £1.2m), with CTC revenues now representing 31% of total revenues (H1 13: 18%).

This growth was achieved through a combination of new CTC customer wins (CTC customer numbers are up over 200% from H1 13) and a growing established CTC customer base, which now includes five key CTC customer accounts (two at H1 13).

Total revenues for the period were £6.4m (H1 13: £6.4m continuing), with total recurring revenues increasing by 11% to £3.1m (H1 13: £2.8m continuing). On a constant currency basis, total revenues grew nearly 10% during the period compared with the level revenues reported at actual currencies. The change in Other RTFS revenues arises partly because of a refocus of

services work from lower margin Other RTFS to CTC deployments and partly from currency fluctuations – the refocus on higher margin CTC related work has increased our gross margin a few percentage points in the period. We grew revenues in our Software business, experiencing a little more resilience in the legacy customer base than expected.

As planned, we increased our sales and marketing and support resources during the period, which added approximately £0.4m of additional cost in H1 14 compared to H1 13. This additional investment is being rewarded by CTC revenue growth and a growing pipeline of new opportunities. We also invested further in CTC development to satisfy customer demand and retain our innovation lead on the competition. We have maintained our earnings levels during this period of investment for growth.

Working capital and cash

	H1 2014	FYR 2013	H1 2013
	£m	£m	£m
EBITDA	0.89	2.27	0.94
Net working capital inflow / (outflow)	0.59	(1.42)	(1.51)
Net cash inflow / (outflow) from operating activities	1.48	0.85	(0.57)
Net income taxes received	0.00	0.34	0.34
Interest received	0.02	0.03	0.02
Purchase of property, plant and equipment	(0.13)	(0.56)	(0.29)
Payments to acquire intangible fixed assets	(1.72)	(2.27)	(0.70)
Disposal of subsidiary undertaking	0.00	0.32	0.26
Net cash used in investing activities	(1.84)	(2.48)	(0.71)
Net proceeds from issue of new shares	0.75	2.90	0.00
Net increase / (decrease) in cash and cash equivalents	0.39	1.62	(0.94)
Cash at 1 January	4.39	2.89	2.89
Exchange adjustments	0.00	(0.12)	0.02
Cash and cash equivalents at end of period	4.78	4.38	1.97

The business retains a strong financial position as we continue to carefully control working capital whilst investing in the development of our strategic product CTC. Cash generation during the period was strong, with a £1.5m net cash inflow. In the second half we are due £0.4m of income taxes in respect of research and development tax credits for the prior year.

The £2.9m net proceeds of a firm placing in late 2013 strengthened our balance sheet and allowed us to advance our investment in the development of CTC growth. An exercise of share options in the period added a further £0.75m to our cash reserves. As planned, development activity in the period was high as we continued to add new functionality in line with existing and prospective customer demand.

Taxation

At 30 June 2014, the Group had total tax losses carried forward for offset against future trading profits of approximately £14.6 million. As a result, the Group has no material tax charge or liability. For the period to 30 June 2014, the Group has recorded a tax credit of £0.2 million in connection with a research and development tax credit related to new product development.

Outlook

I am pleased with the progress we are making with the commercialising of CTC during 2014. We are building a sound base of high quality CTC customers around the world and across a number of different markets. We expect to continue adding new CTC customers and to further grow the number of key CTC customer accounts we hold.

The proportion of revenues in the business attributable to CTC is growing as we continue to deliver our strategy of CTC led growth and we expect this trend to continue from a combination of existing and new CTC customer growth.

We have a growing pipeline of prospective customers to continue delivering growth in CTC customer numbers and revenues for future periods. We continue to balance the growth in CTC customers and revenues with our short term financial objectives.

We have achieved strong growth in CTC revenues during the period and we are confident of making further progress for the remainder of 2014 and beyond, again driven by CTC.

Chris Errington
Chief Executive Officer
8 August 2014

Consolidated Income Statement
For the period ended 30 June 2014

	Notes	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Continuing Operations				
Revenue	2	6,374	6,436	14,048
Cost of goods sold		(1,637)	(1,887)	(3,773)
Gross profit		4,737	4,549	10,275
Administrative expenses		(4,157)	(3,868)	(8,638)
Trading profit		580	681	1,637
Finance revenue		17	19	27
Finance costs		-	(2)	(2)
Profit before taxation from continuing operations		597	698	1,662
Taxation	3	242	169	618
Profit after taxation from continuing operations		839	867	2,280
Discontinued Operations				
Loss after taxation for the period from discontinued operations	6 a)	-	(173)	(180)
Attributable to owners of the parent	2	839	694	2,100
Earnings per share				
Basic earnings per share - pence	4	1.35	1.19	3.60
Diluted earnings per share - pence	4	1.24	1.07	3.24
Earnings per share – continuing operations				
Basic earnings per share - pence	4	1.35	1.49	3.91
Diluted earnings per share - pence	4	1.24	1.34	3.52

Consolidated Statement of Comprehensive Income
For the period ended 30 June 2014

	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Attributable profit for the period	839	694	2,100
<i>Other comprehensive expense</i>			
Exchange differences on translation of foreign operations	24	(170)	(428)
Exchange differences transferred to income statement on disposal of subsidiary undertakings	-	152	145
	<hr/> 24	<hr/> (18)	<hr/> (283)
Total comprehensive income for the year	<hr/> 863	<hr/> 676	<hr/> 1,817

**Consolidated Statement of Financial Position
At 30 June 2014**

	At 30 June 2014 Unaudited £'000	At 30 June 2013 Unaudited £'000	At 31 December 2013 Audited £'000
Assets			
Non-current assets			
Property, plant & equipment	670	475	674
Intangible assets	7,067	4,418	5,495
Deferred tax asset	716	473	716
	<u>8,453</u>	<u>5,366</u>	<u>6,885</u>
Current assets			
Trade and other receivables	3,853	3,526	4,862
Income tax receivable	660	176	415
Cash and cash equivalents	4,767	1,972	4,386
	<u>9,280</u>	<u>5,674</u>	<u>9,663</u>
Total assets	<u>17,733</u>	<u>11,040</u>	<u>16,548</u>
Equity & Liabilities			
Equity attributable to owners of the parent			
Called up equity share capital	3,162	2,907	3,027
Share premium account	16,523	13,124	15,906
Other reserves	313	1,039	313
Foreign currency translation reserve	41	282	17
Retained earnings	(7,350)	(10,467)	(8,214)
	<u>12,689</u>	<u>6,885</u>	<u>11,049</u>
Non-current liabilities			
Deferred income	165	244	188
Provisions	35	-	21
	<u>200</u>	<u>244</u>	<u>209</u>
Current liabilities			
Trade, other payables and deferred income	4,805	3,748	5,248
Income tax payable	39	-	42
Provisions	-	163	-
	<u>4,844</u>	<u>3,911</u>	<u>5,290</u>
Total liabilities	<u>5,044</u>	<u>4,155</u>	<u>5,499</u>
Total equity and liabilities	<u>17,733</u>	<u>11,040</u>	<u>16,548</u>

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2013	2,907	13,124	1,039	300	(11,226)	6,144
Attributable profit for the period	-	-	-	-	694	694
Other comprehensive expense	-	-	-	(18)	-	(18)
Total comprehensive (expense) / income	-	-	-	(18)	694	676
Share based payment	-	-	-	-	65	65
At 30 June 2013	2,907	13,124	1,039	282	(10,467)	6,885
Attributable profit for the period	-	-	-	-	1,406	1,406
Other comprehensive expense	-	-	-	(265)	-	(265)
Total comprehensive (expense) / income	-	-	-	(265)	1,406	1,141
Reserves transfer	-	-	(726)	-	726	-
Share issue proceeds	120	2,880	-	-	-	3,000
Share transaction costs	-	(98)	-	-	-	(98)
Share based payment	-	-	-	-	121	121
At 31 December 2013	3,027	15,906	313	17	(8,214)	11,049
Attributable profit for the period	-	-	-	-	839	839
Other comprehensive expense	-	-	-	24	-	24
Total comprehensive (expense) / income	-	-	-	24	839	863
Share issue proceeds	135	623	-	-	-	758
Share transaction costs	-	(6)	-	-	-	(6)
Share based payment	-	-	-	-	25	25
At 30 June 2014	3,162	16,523	313	41	(7,350)	12,689

Consolidated Statement of Cash flows
For the period ended 30 June 2014

	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Cash flows from operating activities			
Profit before tax from continuing operations	597	698	1,662
Loss before tax from discontinued operations	-	(173)	(180)
	597	525	1,482
Depreciation, amortisation & impairment	308	262	820
Share based payment expense	25	65	186
Decrease / (increase) in trade and other receivables	1,034	(915)	(2,522)
(Decrease) / increase in trade and other payables	(483)	(648)	870
Movement in provisions	14	(17)	(160)
Loss on disposal of property, plant and equipment	-	-	14
Loss on disposal of subsidiary undertaking	-	178	185
Net finance income	(17)	(19)	(25)
Cash inflow / (outflow) from operations	1,478	(569)	850
Net income taxes (paid) / received	(5)	340	343
Net cash inflow / (outflow) from operating activities	1,473	(229)	1,193
Cash flows from investing activities			
Interest received	17	19	27
Purchase of property, plant and equipment	(132)	(292)	(557)
Payments to acquire intangible fixed assets	(1,723)	(694)	(2,271)
Disposal of subsidiary undertaking (note 6 c)	-	258	324
Net cash used in investing activities	(1,838)	(709)	(2,477)
Cash flows from financing activities			
Share Issue	752	-	2,902
Net cash used in financing activities	752	-	2,902
Net increase / (decrease) in cash and cash equivalents	387	(938)	1,618
Cash and cash equivalents at beginning of period	4,386	2,891	2,891
Exchange adjustments	(6)	19	(123)
Cash and cash equivalents at end of period	4,767	1,972	4,386

Notes to the condensed interim financial statements

1 Basis of preparation

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 Chris Errington and Chief Financial Officer Rob Grubb on 8 August 2014.

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 2013.

The financial statements for the year ended 31 December 2013, 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, Aldermay House, 10 – 15 Queen Street, London, EC4N 1TX, or from our website 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.

“RTFS” refers to Real Time Financial Solutions.

During the 6 months ended 30 June 2013, the Group disposed of its wholly owned Canadian subsidiary, Gresham Computing Inc, which formed part of its RTFS segment. There were no discontinued operations for the 6 months ended 30 June 2014.

6 Months Ended 30 June 2014 (unaudited)

	Software £000	RTFS £000	Adjustment, central & eliminations £000	Sub-total £000	Less Discontinued Operations £000	Continuing Consolidated £000
<i>Revenue</i>						
External customer	1,251	5,123	-	6,374	-	6,374
Inter-segment	-	152	(152)	-	-	-
Total revenue	1,251	5,275	(152)	6,374	-	6,374
Profit / (loss) before taxation	1,049	(156)	(296)	597	-	597
Taxation	-	-	242	242	-	242
Profit / (loss) before taxation	1,049	(156)	(54)	839	-	839
Segment assets	281	11,296	6,156	17,733	-	17,733

6 Months Ended 30 June 2013 (unaudited & restated)

	Software £000	RTFS £000	Adjustment, central & eliminations £000	Sub-total £000	Less Discontinued Operations £000	Continuing Consolidated £000
<i>Revenue</i>						
External customer	1,210	5,456	-	6,666	230	6,436
Inter-segment	-	47	(47)	-	-	-
Total revenue	1,210	5,503	(47)	6,666	230	6,436
Profit / (loss) before taxation	892	143	(510)	525	(173)	698
Taxation	-	-	169	169	-	169
Profit / (loss) before taxation	892	143	(341)	694	(173)	867
Segment assets	71	8,350	2,619	11,040	-	11,040

The disclosures for the 6 months ended 30 June 2013 have been restated to be consistent with the presentation of the segmental analysis for the 6 months ended 30 June 2014.

3 Taxation

	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
<i>a) Continuing Operations</i>			
<i>Current Tax</i>			
UK Corporation tax credit	(242)	(140)	(375)
Amounts over provided in previous years – Overseas	-	(29)	-
	(242)	(169)	(375)
<i>Deferred Tax</i>			
Recognition of deferred tax asset	-	-	(257)
Tax rate change adjustments	-	-	14
	-	-	(243)
Tax credit	(242)	(169)	(618)

b) Discontinued Operations

There was no tax charge or credit in respect of the Group's Discontinued Operations or of the parent company's disposal of the wholly owned subsidiary, for the 6 month periods ending 30 June 2014 and 30 June 2013, or for the year ending 31 December 2013.

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 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Net profit attributable to owners of the parent			
- Continuing Operations	839	867	2,280
- Discontinued Operations	-	(173)	(180)
	839	694	2,100
	Number	Number	Number
Basic weighted average number of shares	61,992,825	58,135,978	58,300,362
<i>Dilutive potential ordinary shares:</i>			
Employee share options	5,468,653	6,773,000	6,425,500
Diluted weighted average number of shares	67,461,478	64,908,978	64,725,862

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 Discontinued Operations

The Group signed and completed an agreement to sell its 100% equity share interest in Gresham Computing Inc. (Canada) ("GCIC") to BITSS Global Inc. on 8 March 2013, and as a result the operations of GCIC are shown as Discontinued Operations for the six months ended 30 June 2013 and for the year ended 31 December 2013.

There were no discontinued operations for the 6 months ended 30 June 2014.

a) Results of Discontinued Operations

Revenue and expenses, and gains and losses relating to the discontinued operations have been removed from the results of continuing operations and are shown as a single line item on the face of the Statement of Consolidated Income. The operating results of the discontinued operations are as follows:

	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Revenue	-	230	232
Cost of goods sold	-	(11)	(11)
Gross profit	-	219	221
Administrative expenses	-	(214)	(216)
Trading profit	-	5	5
Loss on disposal of subsidiary undertaking	-	(178)	(185)
Finance revenue	-	-	-
Finance costs	-	-	-
Loss before taxation	-	(173)	(180)
Taxation	-	-	-
Loss after taxation	-	(173)	(180)

b) Assets and liabilities disposed of other than cash

	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Intangible fixed assets	-	212	212
Property, plant & equipment	-	16	15
Current assets	-	546	531
Current liabilities	-	(114)	(141)
Deferred income	-	(313)	(253)
Total assets and liabilities disposed of other than cash and cash equivalents	-	347	364

c) Cash and cash equivalents relating to the disposal

	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Disposal consideration discharged by means of cash	-	512	513
Cash and cash equivalents in company on disposal	-	(37)	(41)
Net cash inflow from disposal of subsidiary undertaking		475	472
Costs relating to the disposal	-	(154)	(148)
Deferred consideration	-	(63)	-
Net cash inflow from disposal of subsidiary undertaking after costs	-	258	324

d) Loss on disposal

	6 months ended 30 June 2014 Unaudited £'000	6 months ended 30 June 2013 Unaudited £'000	12 months ended 31 December 2013 Audited £'000
Total consideration	-	475	472
Net assets (excluding cash) disposed	-	(347)	(364)
	-	128	108
Costs relating to the disposal	-	(154)	(148)
Deferred cumulative foreign exchange transferred from equity	-	(152)	(145)
Net loss on disposal of Gresham Computing Inc.	-	(178)	(185)

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 2013, available from www.gresham-computing.com and remain unchanged.

8 EBITDA reconciliation

EBITDA for the Group's continuing operations is calculated as EBITDA before non-cash share option charges, reconciled as follows:

<i>Continuing Operations</i>	6 months ended 30 June 2014 £'000	6 months ended 30 June 2013 £'000
	Profit before tax	597
Amortisation and depreciation	308	262
Share option charges	25	65
Interest net	(17)	(17)
Adjusted EBITDA profit	913	1,008

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.

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.