

**gresham computing plc**

interim report 2003



**gresham**<sup>™</sup>  
banking • integration • storage



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Gresham Computing plc  
Registered No. 1072032

## Directors

S J Green  
J E Aves

A Howarth  
A J S Walton-Green  
S W Purchase  
D Osman

Non-Executive Chairman  
Non-Executive Director,  
Chairman of Audit and Remuneration Committees  
Non-Executive Director  
Chief Executive  
Commercial Director  
Finance Director

## Secretary

D Osman

## Registered Office

Sopwith House  
Brook Avenue  
Warsash  
Southampton  
SO31 9ZA

## Auditors

Ernst & Young LLP  
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19 Threefield Lane  
Southampton  
SO14 3QB

## Registrars

Lloyds TSB Registrars  
Registrar's Department  
The Causeway  
Worthing  
West Sussex  
BN99 6DA

## Brokers

KBC Peel Hunt Ltd  
11 Old Broad Street  
London  
EC2N 1PH

## Bankers

HSBC Bank plc  
165 High Street  
Southampton  
SO14 2NZ

## Solicitors

Denton Wilde Sapte  
5 Chancery Lane  
Clifford's Inn  
London  
EC4A 1BU

I am pleased to report the group's interim results for the six months ended 30 June 2003. The group's turnover for the period was £4.9 million (2002: £6.2 million). The operating loss was £1.2 million (2002: £1.9 million). Loss before taxation was £1.1 million (2002: £2.2 million loss before the profit on disposal of SIM, £2.7 million profit including the disposal of SIM) with a retained loss for the period of £1.1 million (2002: £2.3 million profit). The resultant loss per share is 2.24 pence.

The decrease in turnover is largely attributable to our contract staff and recruitment agency. Trading conditions have become no easier than I indicated in my last report. Notwithstanding this, we have significantly reduced the level of operating loss and continued to invest in the development of the business.

The group's financial position has been strengthened during the period by the raising of £3.9 million through a share placement. As a result, the net funds position has increased from £3.9 million at 31 December to £6.3 million at 30 June.

## Strategy

We have continued our strategy of focusing on the core areas of the business: Banking, Integration and Storage.

## Banking

The utilisation of real time information has become a major focus of the banking sector. This focus will be evident at the major Industry exhibition of the year, SIBOS, which is being held in Singapore from the 20th to 24th of October.

Our primary focus in this area continues to be in the delivery of the application software and marketing support to Cable & Wireless to assist them to deliver the Cable & Wireless Real Time Nostro ("C&WRTN") service to the market. Considerable progress has been made in the past few months. The announcement made by Cable & Wireless on 15 May that four banks, ANZ Bank, Barclays, JP Morgan Chase and Mizuho Corporate Bank, had agreed to provide data and to act as a channel to market for the service was a critical step towards establishing the service commercially.

The C&WRTN service is now undergoing advanced operational testing in readiness for full operational deployment. C&WRTN continues to be well received by the market. Cable & Wireless have indicated that discussions are advanced with a number of further major financial institutions regarding data provision and use of their service. At SIBOS the capabilities and competitive advantages of C&WRTN will be demonstrated to the wider banking community.

C&WRTN will be a subscription based service and the group will receive a share of these revenues through its revenue sharing arrangement with Cable & Wireless. Your board believes that although revenue from C&WRTN will not be significant in 2003, it will build significantly over the coming years.

## Integration

Although our integration business has continued to create considerable interest, particularly in the Finance and Banking sector, this interest is yet to result in increased revenue in the year to date. We are actively developing partnerships in order to increase our routes to market for our integration product, Casablanca. We consider that our proven integration and development capabilities will enable the level of opportunities to be sustained and converted into an increasing revenue stream.


## Storage

The market for storage products remains difficult, particularly in the key US market. We have expanded our current niche product range by increasing the number of hardware platforms it serves. In addition, we have continued to develop our new product in order to enhance our offering to a wider storage market.

## Outlook

As I reported in April, we consider that C&WRTN is our most significant market opportunity and that it has the potential to deliver the most substantial returns in the group's history. The continuing progress on C&WRTN has moved us much closer to realising this opportunity. Although progress has been slower than we hoped in the other strategic areas of our business, we believe that they continue to have the potential to deliver shareholder value. Our focus is to deliver the significant medium and long-term growth that we believe the group has the potential to achieve.

Once again I must thank the staff and shareholders for their loyalty and contribution to the progress we have made during the past few months.



## Sid Green

Chairman

22 September 2003

	Notes	Six months ended 30 June 2003 £'000	30 June 2002 £'000	Year ended 31 December 2002 £'000
Group turnover	2	4,870	6,152	11,578
Cost of sales		2,374	3,853	6,707
Gross profit		2,496	2,299	4,871
Administrative expenses	3	3,680	4,235	8,412
Operating loss		(1,184)	(1,936)	(3,541)
Share of operating loss in associate		—	(396)	(398)
Total operating loss: group and share of associate	3	(1,184)	(2,332)	(3,939)
Profit on sale of operations (discontinued operations)		—	4,902	4,881
(Loss)/profit on ordinary activities before interest and taxation		(1,184)	2,570	942
Net interest receivable		116	104	206
(Loss)/profit on ordinary activities before taxation		(1,068)	2,674	1,148
Taxation on (loss)/profit on ordinary activities		(11)	371	(27)
(Loss)/profit on ordinary activities after taxation		(1,057)	2,303	1,175
Retained (loss)/profit for the period		(1,057)	2,303	1,175
Basic earnings per share (pence)	4	(2.24)	4.94	2.51
Fully diluted earnings per share (pence)	4	(2.24)	4.87	2.45

## GROUP BALANCE SHEET

AT 30 JUNE 2003

	at 30 June 2003 £'000	at 30 June 2002 £'000	at 31 December 2002 £'000
Fixed assets			
Intangible assets	1,067	1,190	1,121
Tangible assets	1,413	1,648	1,556
	2,480	2,838	2,677
Current assets			
Debtors	5,502	5,251	4,861
Cash at bank and in hand	6,327	5,284	4,009
	11,829	10,535	8,870
Creditors: amounts falling due within one year	3,478	4,350	3,498
Net current assets	8,351	6,185	5,372
Total assets less current liabilities	10,831	9,023	8,049
Creditors: amounts falling due after more than one year	674	588	742
	10,157	8,435	7,307
Capital and reserves			
Called up share capital	2,430	2,349	2,350
Share premium account	9,529	5,699	5,701
Special reserve	313	313	313
Merger reserve	726	726	726
Profit and loss account	(2,841)	(652)	(1,783)
Shareholders' funds — equity interests	10,157	8,435	7,307



	Six months ended		Year ended
	30 June 2003	30 June 2002	31 December 2002
	£'000	£'000	£'000
Operating loss	(1,184)	(1,936)	(3,541)
Depreciation	210	288	467
Amortisation	54	84	153
Loss on disposal of fixed assets	—	3	—
Increase in debtors	(630)	(141)	(286)
(Decrease)/increase in creditors	(14)	113	(16)
Foreign exchange movement	(9)	(9)	—
Net cash outflow from operating activities	(1,573)	(1,598)	(3,223)
Dividend received from associated undertaking	—	—	79
Returns on investment and servicing of finance	—	—	—
Net interest received	113	112	204
Dividends paid to preference shareholders	—	(66)	(66)
	113	46	138
Taxation paid	(13)	(27)	(38)
Capital expenditure and financial investment	—	—	—
Payments to acquire tangible fixed assets	(41)	(140)	(194)
Receipts from sale of tangible fixed assets	—	44	3
	(41)	(96)	(191)
Acquisitions and disposals	—	—	—
Disposal of subsidiary undertaking	—	6,220	—
Disposal of associated undertaking	—	—	6,751
Costs of disposal	(16)	(3)	(173)
	(16)	6,217	6,578
Financing	—	—	—
Receipt of short-term loans	—	(250)	(250)
Repayment of finance leases	(60)	(68)	(130)
Net proceeds of shares issued	3,908	102	105
Net inflow/(outflow) from financing	3,848	(216)	(275)
Increase in cash in the period	2,318	4,326	3,068
Group net funds	—	—	—
Opening net funds	3,928	513	513
Closing net funds	6,288	5,157	3,928

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

AT 30 JUNE 2003

- 1 The interim financial statements have been prepared on the basis of the accounting policies set out in the group's 2002 statutory financial statements and are unaudited. The interim financial statements do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.
- 2 **Turnover and segmental analysis**  
All turnover relates to continuing operations.

Analysis of turnover by business segment:

	Six months ended 30 June 2003			Six months ended 30 June 2002		
	Segment turnover £'000	Inter- segment turnover £'000	External turnover £'000	Segment turnover £'000	Inter- segment turnover £'000	External turnover £'000
Solutions	1,453	—	1,453	1,518	(18)	1,500
Specialist contract staff	988	(7)	981	2,026	(36)	1,990
Enterprise solutions	2,441	(7)	2,434	3,544	(54)	3,490
Enterprise software	2,436	—	2,436	2,694	(32)	2,662
	4,877	(7)	4,870	6,238	(86)	6,152

Geographical analysis of turnover by source:

	Six months ended 30 June 2003			Six months ended 30 June 2002		
	Turnover £'000	Inter- segment turnover £'000	External turnover £'000	Turnover £'000	Inter- segment turnover £'000	External turnover £'000
United Kingdom	2,950	(12)	2,938	4,030	(11)	4,019
North America	1,128	(24)	1,104	1,055	(9)	1,046
Rest of World	1,198	(370)	828	1,693	(606)	1,087
	5,276	(406)	4,870	6,778	(626)	6,152



Geographical analysis of turnover by destination:

	Six months ended 30 June	
	2003 £'000	2002 £'000
United Kingdom	2,675	3,876
Europe	375	802
North America	774	702
Rest of World	1,046	772
	4,870	6,152

### 3 Operating loss

Included within administrative expenses in the year ended 31 December 2002 is £252,000 relating to exceptional reorganisation and restructuring costs. There are no such costs in the 6 months ended 30 June 2002 and 6 months ended 30 June 2003.

### 4 Earnings per share

Earnings per share has been calculated in accordance with FRS 14 using the following earnings and weighted average shares outstanding:

	Six months ended		Year ended
	30 June 2003 £'000	30 June 2002 £'000	31 December 2002 £'000
Earnings			
Basic and fully diluted earnings	(1,057)	2,303	1,175
	(1,057)	2,303	1,175
Weighted average number of shares			
Basic weighted average	47,186,369	46,636,479	46,816,200
Potential ordinary shares	—	688,605	1,197,072
Fully diluted weighted average	47,186,369	47,325,084	48,013,272

Diluted earnings per share is identical to basic earnings per share for the 6 months ended 30 June 2003 because potential diluting events would have the effect of reducing the loss per ordinary share.

## 5 Reconciliation of shareholders' funds

	Six months ended		Year ended
	30 June 2003 £'000	30 June 31 2002 £'000	December 2002 £'000
(Loss)/profit for the period	(1,057)	2,303	1,175
Exchange difference on retranslation of net assets of subsidiary undertakings	(1)	2	(1)
Total recognised gains and losses	(1,058)	2,305	1,174
Shares issued	3,908	102	105
Total movements during the year	2,850	2,407	1,279
Opening shareholders' funds	7,307	6,028	6,028
Closing shareholders' funds	10,157	8,435	7,307





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