

# Escher Group Holdings plc

## Full year results

Escher Group Holdings plc (AIM: ESCH, 'Escher' or 'the Group'), a world leading provider of outsourced point-of-service software to the postal industry, has published its results for the year ended 31 December 2014.

### Highlights

- Revenue of US\$21.1 million (2013: US\$24.7 million)
- Adjusted EBITDA\* of US\$2.1 million (2013: US\$4.2 million)
- Supported a major customer in deployment of software in 2014 resulting in license revenue of US\$2.4m in Q1, 2015 and ongoing maintenance fees
- New contracts signed:
  - Key contract with DPDHL, the largest logistics company in the world, for Enterprise mobility
  - Emirates Post Group, the national postal operator in United Arab Emirates
  - The Royal Gibraltar Post Office
  - Insomnia Coffee Company
- Expanded product offering through investment in new complementary product areas:
  - Enterprise mobility product to access the fast growing logistics industry
  - eMoney product to facilitate benefit payments by postal customers
- Strong retention within existing customer base; renewals of maintenance and support contracts in line with previous years

\* Adjusted EBITDA represents operating profit before depreciation, amortisation and share based payments.

% Movements are based on unrounded data, rather than the rounded information presented in this report.

**Liam Church**, Escher's Chief Executive, commented:

***"The underlying business had a solid year. However, the financial results have been affected by delays in certain contracts including the roll out of our software to a major North American customer into the current financial year. This has now been successfully completed and maintenance fees commensurate with the scale of the project will commence from March 2015.***

***"Throughout 2014, we have continued to focus on enhancing relationships with our customers, seeking new customer opportunities and investing in enhancing our product portfolio. Our overall strategic position remains robust as international postal and logistic operators seek to improve interaction with their customers using enhanced digital technologies and mobile capabilities.***

***"The current financial year has started in line with the Board's expectations. Given the quality of Escher's pipeline and current technology set, the Board remains confident about the prospects for 2015 and beyond."***

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### Forward looking statements

*This press release contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results.*

## **About Escher Group**

Escher is a world leading developer and provider of outsourced, point-of-service software for use in the worldwide postal industry. Its core software, RiposteEssential™, enables post offices to expand upon their traditional offering, providing additional new services, reducing costs and increasing efficiency. Riposte® is a messaging middleware that enables applications operating on different computers to communicate with each other. The Riposte® software manages data, monitors the system status and communicates across the network.

The Retail Software Solution (RiposteEssential™) serves the postal and courier markets. Transactions include mail and financial services and the system is integrated with utilities and financial services companies, banks and central and local governments.

Escher's Message Based Communications (RiposteTrEx™) is based on a digital post office box model and is designed to provide a national digital infrastructure linking governments, businesses and citizens via a secure platform. It also provides a secure platform for unlimited communication and collaboration between widely dispersed individuals and groups on a spectrum from global to local.

## **Overview**

2014 was an important year for Escher. It is clear that the considerable investment Escher has made in developing new products has positioned it well to take advantage of the coming wave of investment from the Postal industry.

The underlying business delivered a solid performance, resulting in revenue of US\$21.1 million (2013: US\$24.7 million) and generating US\$2.1 million adjusted EBITDA\* (2013: US\$4.2 million), despite the delay in a roll out of a major contract.

In early March 2015, Escher announced that it had recognised the remaining \$2.4m license revenue from a key customer, having achieved the final license milestone. Maintenance fees, commensurate with the scale of the contract, commenced as of March 2015 for a multi-year period. While Escher had expected this revenue recognition to occur in 2014, the delivery of Escher software to one of the world's largest postal customers is a strong endorsement of the Group's technology and Escher anticipates a long and mutually beneficial relationship.

Throughout 2014, Escher continued its investment in new product development for the Postal industry and signed a number of new customer contracts including Emirates Post Group, DPDHL, The Royal Gibraltar Post Office and Insomnia Coffee Company.

At the same time, the Group has reported strong retention within the existing customer base and renewals of maintenance and support contracts in line with previous years.

## **Outlook**

Many of Escher's customers are experiencing growth from eCommerce activity and an increase in retail services offsetting declines in letter volumes. This trend is driving Postal organisations to reinvest in technology and physical infrastructure.

With its track record of delivery, strong relationships and expanded product offering ifrom eCommerce, eMoney and digital services areas, Escher is well positioned to benefit from the customer investment in software infrastructure in the coming years.

As the point of service automation supplier of choice for postal organisations across the globe, Escher will continue its drive to penetrate more of this market and to deliver further on the investment in new product development made during 2014.

The Group's overall strategic position remains robust as international postal and logistic operators seek to improve interaction with their customers using enhanced digital technologies and mobile capabilities. Although sales cycles can be long and the Group experienced some delays in contract signings in 2014, Escher has a good pipeline of new business opportunities and is confident that new customers will be signed during the course of 2015.

The current financial year has started in line with the Board's expectations. Given the quality of Escher's pipeline, current technology set and contracted for revenue, the Board remains confident about the prospects for 2015 and beyond.

## **Operational review**

### **Group positioning and postal industry trends**

In 2014, Escher witnessed positive and significant changes in the global postal industry. Coming off a growth year in 2013, the global postal industry saw consumer spending for postal services increase due to an uptake in parcel delivery driven by a rise from eCommerce activity.

eCommerce is also opening a number of new opportunities in terms of cross border deliveries and logistics, including retail and parcel shop expansion for package pick-up and return. Postal operators are becoming more agile and are positioning themselves "closer" to the customer as they continue to embrace Enterprise Mobile and Mobile Commerce technologies.

Led by eCommerce logistics requirements and improving revenues, Postal operators across the globe are now re-evaluating their current business models and taking a digital-first perspective to how they deliver products and services to their customers.

In recent years Escher has positioned itself to be the technology partner of choice for Postal operators and the global postal network offers a tremendous growth opportunity in the provision of innovative and intelligent solutions that meet the changing needs of a digitally connected world.

There is considerable interest in Escher's products amongst Postal operators with legacy retail systems that need to upgrade their existing retail infrastructure to deal with the increasing complex retail services environment and the need to open more channels to market to avail of the growing logistics markets. Escher is already working closely with a number of its key postal operators who have committed to investing in upgrading their retail systems.

Escher has also developed a range of complementary new products, based on its market leading Riposte platform, to address the growing market opportunities with revitalised Posts around the world. The recent contract wins with the South African post office for digital messaging and with DPDHL in Germany for eCommerce demonstrate the quality of the products that the Group has and is developing to support its customers.

### **Postal point of service**

Escher continues to be the market-leading vendor of outsourced software to the postal industry with over 35 national postal operators around the world as it expanded its customer base to include Emirates and Gibraltar.

In June 2014, Emirates Post Group, the national postal operator in United Arab Emirates, licensed Escher's market leading Riposte counter automation software. The contract included a five year maintenance agreement to 2019 and confirms Escher as a key supplier of postal automation software to the Middle East.

Emirates Post Group chose Escher's solution to deliver upon its strategy to provide postal services and solutions that match the latest trends in global postal services, with a focus on making post offices one-stop shops offering multiple services throughout their network.

Emirates Post Group joins a growing list of postal operators in the Middle East, who have chosen Escher as their preferred supplier of counter automation technology and expertise and along with Saudi Post underpins Escher's expansion strategy in the Middle East.

Escher's Riposte solution has also been delivered to the Royal Gibraltar Post Office, providing a seamless integrated platform for six years which will enable rapid deployment of additional services in the future.

Escher's customers are continuing to invest in new products and services and other potential customers are considering further infrastructure investment. Roll out with a key customer in North America is proceeding apace and has now resulted in the recognition of the remaining license fee in 2015.

### **Enterprise mobility and ECommerce**

The Group's customers are increasing their focus on digital commerce, which is driving demand for more points of presence, more flexible software solutions and an increasing range of additional services at these access points. These market developments, along with the investment Escher has made in developing an Enterprise mobile capability, gives the Group increasing confidence about its medium-term growth prospects.

2014 saw Escher diversify its product portfolio with a number of new solutions including the Click and Collect, Enterprise Mobile, Assured Identity and eMoney solutions. This has generated considerable interest not only from postal organisations, but also from logistics companies, governments and retailers.

In September DPDHL, a pioneer in this area, contracted for Escher's Enterprise Mobile solution for 15,000 mobile devices across its Paketshop network. This is a significant development for Escher that demonstrates the flexibility of the core Riposte® software platform to be utilised by customers in the rapidly growing and evolving eCommerce market.

DPDHL, the world's leading postal and logistics services group generating revenue of more than €55 billion in 2013, is a long standing Riposte® customer. This innovative solution allows DPDHL to quickly expand its network and the five year subscription license agreement is based on a minimum of 15,000 mobile devices for DPDHL and allows for further worldwide expansion.

To support the Group's customers, Escher has made significant investments in its Research and Development programs and has a number of enhancements and new product offerings for launch throughout 2015 especially enterprise mobility for DPDHL

### **Digital services**

RiposteTrEx is Escher's solution for digital government, allowing citizens, governments and businesses to communicate and transact at any time and from anywhere. RiposteTrEx is a secure, highly scalable, digital post box solution that allows citizens, businesses, governments and international agencies to collaborate securely online. Demand for this product is driven by government and local authorities' need to reduce costs and increase citizen interaction.

In December 2013, the South African Post Office selected the RiposteTrEx platform to deliver its eRegistered mail solution, which has since been delivered. The platform will provide eRegistered mail services to more than 51 million citizens. In addition, Escher is working with local authorities in the UK and Ireland to provide small businesses with a messaging platform to provide eCommerce solutions and payments.

### **Interactive services**

Since 2012, Escher has invested in an innovative range of in-store engagement software that enables retailers to offer customer engagement and payments through a mobile wallet and other card based programs. The wallet supports both NFC and QR code based transactions and other technologies such as card emulation, peer-to-peer (P2P) data transfer and iBeacons.

Escher's mobile wallet solutions have been deployed to high street retailers throughout Ireland and the UK. In April of this year, Escher was awarded Best Loyalty System in the highly coveted Visa sponsored Contactless and Mobile Awards in London.

In July 2014, Insomnia signed up for Escher's fully managed service solution for interactive loyalty, coupons, mobile payments to enhance customer engagement and is already live in 40 of its outlets. The innovative, user-friendly product enables Insomnia customers to receive coupons and pay for Insomnia goods at a range of locations nationwide.

The Group has also integrated the mobile technology in its Riposte platform to provide an integrated eMoney solution for benefit payments. Post office customers can receive benefits using an eMoney card that can be used to pay for goods and services at local retailers. This innovative solution combining Escher's technologies has applicability for Escher's other Post office customers.

## **Financial review**

### **Revenue**

Revenue for the year ended 31 December 2014 was US\$21.1 million (2013: US\$24.7 million) which reflects the slower implementation and roll out of a substantial contract in North America. In addition to license revenue, this delay impacted software development and consulting services revenue.

In March 2015, Escher announced that it had recognised the remaining \$2.4m license revenue from a key customer of the Group, having achieved the final license milestone. Maintenance fees have commenced from March 2015 for a multi-year period.

Services revenue reduced as the customer transitioned from software customisation services to support services for the roll-out phase which commenced towards the end of 2014.

<b>Analysis of revenue by category</b>	2014	2013	Change	Contribution to Group
	US\$m	US\$m	%	%
Software development and consulting services	7.9	11.7	(32)	37
Software licenses	5.2	5.1	2	25
Maintenance	5.7	5.4	7	27
Support	2.3	2.5	(11)	11
<b>Total</b>	<b>21.1</b>	<b>24.7</b>	<b>(14)</b>	<b>100</b>

License revenue was US\$5.2 million (2013: US\$5.1 million) as the North America customer continued to make license payments in line with its agreement. The other main license fee recognised during the year was from the Emirates Post Group.

Maintenance revenue increased 7%, or US\$0.3 million, resulting from contract renegotiations and maintenance periods coming into effect for customers for the first time.

Revenue from support at US\$2.3 million (2013: US\$2.5 million) reflects one customer's contract renegotiation which was partially offset by new support revenue from other customers.

#### **Gross profit**

Gross profit was US\$12.9 million (2013: US\$15.2 million). The gross profit margin remained unchanged at 61%. The gross profit margin for license, maintenance and support remained in line with prior years

#### **Operating expenses/profit**

<b>Analysis of operating expenses by category</b>	2014	2013	Increase/ (decrease)
	US\$m	US\$m	%
Research and development	2.9	2.8	4
Sales and marketing	4.6	4.8	(5)
Administrative expenses	5.3	5.5	(4)
<b>Total</b>	<b>12.8</b>	<b>13.1</b>	<b>(2)</b>

Operating expenses reduced by US\$0.3 million to US\$12.8 million. Decreases in sales and marketing and administrative expenses were partially offset by an increase of US\$0.1 million in research and development (R&D). R&D increased from 11% of revenue to 14% of revenue. R&D expenses included an R&D tax credit of US\$0.6m (2013: US\$0.8m). Excluding the R&D tax credit, R&D spend as a percentage of revenue increased from 15% to 17% reflecting the Group's continued investment in new technologies such as Enterprise Mobile.

Both administration expenses and sales and marketing spend were reduced by US\$0.2 million, reflecting prudent cost management.

The Group capitalised US\$2.2 million of R&D costs (2013: US\$2.7 million), gross of government grants of US\$0.1 million (2013: US\$ 0.5m) in respect of internally generated intangible assets. The amortisation charge for these intangible assets was US\$1.2m (2013: US\$1.1m). The split between the projects and the amortisation charges are as follows:

	2014	2013
	US\$'000	US\$'000
Enterprise Mobile Capitalised Cost	631	282

Enterprise Mobile Amortisation	-	-
Riposte Capitalised Cost	497	1,456
Riposte Amortisation	(308)	(274)
RiposteTrEx Capitalised Cost	1,092	927
RiposteTrEx Amortisation	(845)	(836)
<b>Net impact on the income statement</b>	<b>1,067</b>	<b>1,555</b>

### Operating profit and Adjusted EBITDA

Adjusted EBITDA is US\$2.1 million (2013: US\$4.2 million), reflecting the reduction in revenue which was partially offset by the reduction in costs. Adjusted EBITDA represents operating profit before depreciation, amortisation and share based payments.

	2014 US\$'000	2013 US\$'000
Operating profit	116	2,050
Add back:		
Depreciation	519	488
Amortisation	1,153	1,110
EBITDA	1,788	3,648
Share based payment	278	562
Adjusted EBITDA	2,066	4,210

### Net finance expense

Net finance expense is unchanged at US\$0.6 million. The amortisation charge for deferred financing costs for 2014 was US\$0.1 million (2013: US\$0.2 million). The decrease in the deferred finance charge relates to the initial finance charge being fully amortised and a reduction in the subsequent finance charges.

### Results before tax

The loss before tax is US\$0.5million (2013: profit before tax US\$1.5 million). Adjusted loss before tax excluding share based payments is US\$0.2 million (2013: adjusted profit before tax US\$2.0 million).

### Income tax expense

Income tax is US\$0.5million (2013: US\$0.6 million). Included in the income tax expense is a fixed tax charge of US\$0.3 million (2013: US\$0.3 million) related to the final phase of the Group's corporate restructuring. Excluding this fixed tax charge, the tax charge is US\$0.2 million, the majority of which is withholding tax on invoices issued to certain jurisdictions. There will be no fixed tax charge in 2015 and this will result in a lower effective tax rate for the Group going forward.

### Earnings per share

The Group reported a basic loss per share (LPS) of US\$5.3 cents per share (2013: earnings US\$4.9 cents per share). Diluted LPS for 2014 was US\$5.3 cents compared to earnings of US\$4.8 cents in the prior year.

### Dividend

The Board is not proposing to pay a dividend for the year.

### Cash flow and net debt

Net debt at 31 December 2014 was US\$5.3 million (2013: US\$2.3 million). Cash at the end of 2014 was US\$5.7 million (2013: US\$6.7 million) and borrowings were US\$11.0 million (2013: US\$9.0 million).

Net cash used in operations is US\$0.8 million (2013: net cash generated US\$3.1 million). The year-on-year movement mainly relates to the lower Adjusted EBITDA, which was partially offset by the movement in trade and other payables due to the decrease in the salary and bonus accrual.

Net cash generated from financing activities is US\$2.0 million compared to cash used in financing activities of US\$1.3 million in 2013. Scheduled loan repayments totalling US\$1.0 million (2013: US\$3.3 million) were offset by a drawdown of US\$3.0m of the revolving credit facility (2013: nil).

## CONSOLIDATED INCOME STATEMENT

Extract from our audited results for the year ended 31 December 2014

### For the Year Ended 31 December 2014

	Notes	2014 US\$'000	2013 US\$'000
Revenue	1	21,147	24,699
Cost of sales	2	(8,223)	(9,530)
<b>Gross profit</b>		12,924	15,169
Operating expenses	2	(12,808)	(13,119)
<b>Operating profit</b>		116	2,050
Finance income	4	14	40
Finance costs	4	(600)	(610)
<b>Net finance costs</b>		(586)	(570)
(Loss)/profit before income tax		(470)	1,480
Income tax expense	5	(525)	(561)
<b>(Loss)/profit for the year</b>		(995)	919
<b>Earnings per share (in US\$ cent per share)</b>	17		
-Basic		(5.3)	4.9
-Diluted		(5.3)	4.8

<b>Reconciliation of EBITDA and adjusted EBITDA</b>		2014 US\$'000	2013 US\$'000
<b>Operating profit</b>		116	2,050
Depreciation	6	519	488
Amortisation	7	1,153	1,110
<b>EBITDA</b>		1,788	3,648
Share options expense	2	278	562
<b>Adjusted EBITDA</b>		2,066	4,210



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the Year Ended 31 December 2014**

	2014 US\$'000	2013 US\$'000
(Loss)/profit for the year	(995)	919
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to the income statement</b>		
Currency translation differences	(932)	450
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>(1,927)</b>	<b>1,369</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Extract from our audited results for the year ended 31 December 2014

**For the Year Ended 31 December 2014**

<b>Assets</b>	Notes	2014 US\$'000	2013 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	6	722	1,013
Intangible assets	7	37,267	36,992
Deferred income tax assets	5	730	721
		<hr/>	<hr/>
		38,719	38,726
<b>Current assets</b>			
Trade and other receivables	9	10,515	9,715
Cash and cash equivalents	10	5,720	6,712
		<hr/>	<hr/>
		16,235	16,427
		<hr/>	<hr/>
<b>Total assets</b>		<b>54,954</b>	<b>55,153</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	14	128	128
Share premium	14	26,909	26,899
Other reserves		1,268	1,922
Retained earnings		7,126	8,121
<b>Total equity</b>		<hr/>	<hr/>
		35,431	37,070
<b>Non-current liabilities</b>			
Borrowings	12	6,766	7,630
Deferred income tax liabilities	5	49	634
Provisions for other liabilities and charges		23	24
		<hr/>	<hr/>
		6,838	8,288
<b>Current liabilities</b>			
Borrowings	12	3,866	865
Trade and other payables	11	8,091	8,897
Current income tax liabilities		728	33
		<hr/>	<hr/>
		12,685	9,795
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>19,523</b>	<b>18,083</b>
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>54,954</b>	<b>55,153</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Extract from our audited results for the year ended 31 December 2014

**For the Year Ended 31 December 2014**

	Equity share Capital	Share Premium	Cumulative foreign Translation reserve	Share based payment reserves	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2013</b>	128	26,899	(499)	1,379	7,202	35,109
Profit for the financial year	-	-	-	-	919	919
Other comprehensive income	-	-	450	-	-	450
Total comprehensive income for the year	-	-	450	-	919	1,369
Share based payments	-	-	-	592	-	592
<b>Balance at 1 January 2014</b>	<b>128</b>	<b>26,899</b>	<b>(49)</b>	<b>1,971</b>	<b>8,121</b>	<b>37,070</b>
Loss for the financial year	-	-	-	-	(995)	(995)
Other comprehensive income	-	-	(932)	-	-	(932)
Total comprehensive income for the year	-	-	(932)	-	(995)	(1,927)
Share based payments	-	-	-	278	-	278
Shares issued under options	-	10	-	-	-	10
<b>Balance at 31 December 2014</b>	<b>128</b>	<b>26,909</b>	<b>(981)</b>	<b>2,249</b>	<b>7,126</b>	<b>35,431</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Extract from our audited results for the year ended 31 December 2014

### For the Year Ended 31 December 2014

	Notes	2014 US\$'000	2013 US\$'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	13	(232)	4,049
Interest received		3	9
Interest paid		(445)	(410)
Income tax paid		(197)	(996)
R&D tax credit received		62	458
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(809)	3,110
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	6	(258)	(541)
Additions to intangible assets	7	(2,220)	(2,665)
Government grant received		348	236
		<hr/>	<hr/>
Net cash used in investing activities		(2,130)	(2,970)
<b>Cash flows from financing activities</b>			
Repayment of borrowings	12	(1,000)	(3,342)
Proceeds from borrowings	12	3,000	2,317
Borrowing costs		-	(225)
		<hr/>	<hr/>
Net cash generated/(used in) from financing activities		2,000	(1,250)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(939)	(1,110)
		<hr/>	<hr/>
Cash and cash equivalents at beginning of year		6,712	7,828
Foreign exchange adjustments		(53)	(6)
Net decrease in cash and cash equivalents		(939)	(1,110)
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	10	<b>5,720</b>	<b>6,712</b>

## SELECTED ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

### For the Year Ended 31 December 2014

Selected accounting policies applied in the preparation of this consolidated financial information are as follows:

#### Basis of preparation

The financial information contained in this preliminary results statement has been extracted from the Group financial statements for the year ended 31 December 2014 and is presented in US\$, rounded to the nearest thousand. The financial information does not include all the information and disclosures required in the annual financial statements. The Group financial statements for the year ended 31 December 2014 have been prepared in EU-adopted IFRS and were approved by the Board of Directors on 6 March 2015. The accounting policies used in preparing the group financial statements for 31 December 2014 are consistent with those applied in the prior year. The 2014 Annual Report will be distributed to shareholders and made available on the Company's website [www.eschergroup.com](http://www.eschergroup.com). It will also be filed with the Companies Registration Office. The auditors have reported on the financial statements for the year ended 31 December 2014 and their report was unqualified.

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

## 1 Segment Information

In line with the requirements of IFRS 8, "Operating Segments", the Group has identified its chief operating decision-maker (CODM) as the Board of the Company. The Board reviews the Group's internal reporting in order to assess the performance of the Group and allocate resources. The Board considers the business from a product perspective and reviews working capital and overall statement of financial position performance on a Group wide basis. Consequently the Board determined there to be only one segment.

The Board assess the performance of the segment based primarily on measures of revenues, adjusted EBITDA and profit before tax. Adjusted EBITDA is used as it is an industry-wide standard and it is calculated using operating profit before non-cash share based payments, interest, tax, depreciation on property plant and equipment and amortisation of intangible assets. These revenues derive from the following main sources:

<b>Analysis of revenue by category</b>	2014 US\$'000	2013 US\$'000
Software development and consulting services	7,880	11,616
Software licenses	5,231	5,129
Maintenance	5,760	5,408
Support	2,276	2,546
	<hr/> 21,147	<hr/> 24,699

The entity is domiciled in the Republic of Ireland. The Group's external revenues are derived from the following main geographic locations:

	2014 US\$'000	2013 US\$'000
Ireland	382	337
UK	476	221
Other Europe	4,956	4,736
North & Latin America	7,774	10,998
Asia-Pacific region	3,584	3,314
Africa & Middle East	3,975	5,093
	<hr/> 21,147	<hr/> 24,699

Fluctuations in revenues with individual customers are typically due to a combination of the number of up-front perpetual licence contracts as well as the level and timing of development and other software customisation requirements with that customer (the latter being from both from initial customisation work following a new licence win and periodic projects driven by a customer's internal requirements and software upgrades).

During the year the Group derived revenues from the following external customers which individually represented 10% or more of total reported revenues for that year:

	2014 %	2013 %
Customer A	35%	40%
Customer B	13%	10%
<b>% of total reported revenues</b>	<hr/> 48%	<hr/> 50%

The total of non-current assets other than deferred income tax assets located in the Republic of Ireland is US\$6.8m (2013: US\$6.7m), and the total of non-current assets located in other countries is US\$31.2m (2013: US\$31.4m).

<b>2 Expenses by nature</b>	2014 US\$'000	2013 US\$'000
Employee benefit expense (note 3)	9,877	10,238
Rental & utilities expense	1,179	1,178
Travel costs	979	1,260
Consulting and contractors expense	2,008	3,355
Insurance	685	634
Loss on foreign exchange	283	351
Legal fees	322	218
Direct selling and marketing costs	601	670
Depreciation (note 6)	519	488
Amortisation of intangible assets (note 7)	1,153	1,110
Data communications	442	379
Professional fees	901	568
Directors' remuneration	1,452	1,638
Provision for impaired receivables	(5)	-
Other expenses	635	562
<b>Total</b>	<b>21,031</b>	<b>22,649</b>
Analysed as:		
Cost of sales	8,223	9,530
Research and development	2,923	2,806
Sales and marketing	4,613	4,839
Administrative expenses	5,272	5,474
<b>Total</b>	<b>21,031</b>	<b>22,649</b>

(a) The profit on ordinary activities before taxation, all of which arises from continuing operations, is stated after charging:

	2014 US\$'000	2013 US\$'000
Directors' remuneration		
Emoluments:		
- for services as Directors	264	264
- for other services	1,188	1,374
	<b>1,452</b>	<b>1,638</b>

<b>3 Employee benefit expense</b>	2014 US\$'000	2013 US\$'000
Wages and salaries	11,187	11,822
Social welfare costs	348	188
Pension costs – defined contribution scheme	318	262
	<b>11,853</b>	<b>12,272</b>
Capitalised labour	(2,200)	(2,492)
	<b>9,653</b>	<b>9,780</b>
Employee share based payments (see note 15)	224	458
	<b>9,877</b>	<b>10,238</b>

Total share based payments for the period amounted to US\$278,000 (2013: US\$562,000) of which US\$224,000 (2013: US\$458,000) disclosed above, related to employees excluding Directors. US\$54,000 (2013: US\$104,000) related to Directors' remuneration (see note 2).

The average number of persons employed by the Group during the period was:

	2014 Number	2013 Number
Development	115	121
Selling and distribution	25	25
Administration	24	20
	<u>164</u>	<u>166</u>

The number of persons employed by the Group (including executive Directors) at 31 December 2014 was 152 (2013: 169).

The Group operates a number of defined contribution pension schemes in which the majority of Group employees participate. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension charge represents contributions payable by the Group to the schemes and amounted to US\$318,000 for employees excluding Directors in respect of 2014 (2013: US\$262,000), of which US\$75,000 was accrued at the year-end (2013: US\$90,000).

	2014 US\$'000	2013 US\$'000
<b>4. Finance income and costs</b>		
<b>Finance income</b>		
Interest income	<u>14</u>	<u>40</u>
<b>Finance costs</b>		
Interest on bank borrowings	(436)	(443)
Amortisation of deferred financing costs	(137)	(167)
Finance charges	(27)	-
	<u>(600)</u>	<u>(610)</u>
<b>Net finance costs</b>	<u>(586)</u>	<u>(570)</u>

## 5 Income tax expense

(a) *Recognised in the income statement*

	2014 US\$'000	2013 US\$'000
Current income tax:		
Irish corporation tax at 12.5%	21	248
Foreign corporation tax	1,042	315
Adjustments in respect of current income tax of previous years	56	54
Total current tax	<u>1,119</u>	<u>617</u>
Deferred tax:		
Origination and reversal of temporary differences	(594)	(56)
Total income tax charge recognised in the income statement	<u>525</u>	<u>561</u>

The tax charge in the income statement for the year differs from the standard rate of corporation tax in the Republic of Ireland of 12.5%. The differences are reconciled below:

	2014 US\$'000	2013 US\$'000
(Loss)/profit before taxation	<u>(470)</u>	<u>1,480</u>
Tax calculated at the Irish standard rate of corporation tax of 12.5%	(59)	185

*Effects of:*

Income taxable at higher rates in other jurisdictions	331	203
Dividend fiscal charge	88	317
Expenses not deductible for tax purposes	27	20
R&D tax credit – non-taxable	(76)	(95)
Other adjustments	17	(215)
Foreign withholding tax suffered	141	92
Adjustment in respect of current income tax of previous years	56	54
Total income tax charge	525	561

*(c) Deferred tax*

Arising from temporary trading conditions a subsidiary of the Group incurred a loss in 2014. The Group recognised a deferred tax asset in relation to those losses in the current year of \$226,000 on the basis that it is expected that taxable income will arise in future years in the subsidiary in which the taxable losses arose, and these unused tax losses can be utilised against this future income. The Group has no material unrecognised deferred tax assets at 31 December 2014 (2013: nil).

The deferred tax included in the statement of financial position is as follows:

	2014 US\$'000	2013 US\$'000
<b>Deferred tax assets</b>		
Trade losses carried forward	226	-
Foreign R&D tax credits	181	255
Unrealised foreign exchange transactions	-	63
Intangible assets	-	139
Share options	228	178
Other	95	86
	<hr/> 730	<hr/> 721
<b>Deferred tax liabilities</b>		
Foreign dividend payable	-	634
Unrealised foreign exchange transactions	49	-
	<hr/> 49	<hr/> 634

The movement in the deferred tax during the financial year is as follows:

	1 January 2013	Recognition in income statement credit/(charge)	31 December 2013
	US\$'000	US\$'000	US\$'000
<b>Deferred tax assets</b>			
Unrealised foreign exchange transactions	17	46	63
Foreign R&D tax credits	271	(16)	255
Intangible assets	-	139	139
Share options	-	178	178
Other	29	57	86
	<hr/> 317	<hr/> 404	<hr/> 721
	1 January 2014	Recognition in income statement credit/(charge)	31 December 2014

	US\$'000	US\$'000	US\$'000
<b>Deferred tax assets</b>			
Trade losses carried forward	-	226	226
Unrealised foreign exchange transactions	63	(63)	-
Foreign R&D tax credits	255	(74)	181
Intangible assets	139	(139)	-
Share options	178	50	228
Other	86	9	95
	<u>721</u>	<u>9</u>	<u>730</u>

	1 January 2013	Recognition in income statement charge	31 December 2013
	US\$'000	US\$'000	US\$'000
<b>Deferred tax liabilities</b>			
Foreign intercompany dividends payable	(317)	(317)	(634)
	<u>(317)</u>	<u>(317)</u>	<u>(634)</u>

	1 January 2014	Recognition in income statement credit/(charge)	31 December 2014
	US\$'000	US\$'000	US\$'000
<b>Deferred tax liabilities</b>			
Foreign intercompany dividends payable	(634)	634	-
Unrealised foreign exchange transactions	-	(49)	(49)
	<u>(634)</u>	<u>585</u>	<u>(49)</u>



<b>6. Property, plant and equipment</b>	Computer Equipment	Fixtures and fittings	Equipment	Leasehold improvements	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cost</b>					
At 31 December 2012	2,534	748	170	206	3,658
Additions	277	165	37	56	535
Exchange differences	6	(5)	-	(4)	(3)
At 31 December 2013	2,817	908	207	258	4,190
At 31 December 2013	2,817	908	207	258	4,190
Additions	135	11	112	-	258
Disposals	(1,406)	(407)	(42)	(31)	(1,886)
Exchange differences	(54)	(17)	(13)	(4)	(88)
At 31 December 2014	1,492	495	264	223	2,474
<b>Accumulated depreciation</b>					
At 31 December 2012	(1,998)	(440)	(97)	(153)	(2,688)
Charge for the year	(328)	(98)	(35)	(27)	(488)
Exchange differences	(5)	-	-	4	(1)
At 31 December 2013	(2,331)	(538)	(132)	(176)	(3,177)
At 31 December 2013	(2,331)	(538)	(132)	(176)	(3,177)
Charge for the year	(348)	(89)	(51)	(31)	(519)
Disposals	1,406	407	42	31	1,886
Exchange differences	42	7	4	5	58
At 31 December 2014	(1,231)	(213)	(137)	(171)	(1,752)
<b>Net book value</b>					
At 31 December 2012	536	308	73	53	970
At 31 December 2013	486	370	75	82	1,013
At 31 December 2014	261	282	127	52	722

Depreciation of US\$282,000 (2013: US\$270,000) has been charged in administrative expenses and US\$237,000 (2013: US\$218,000) in cost of sales in the income statement.

<b>7 Intangible assets</b>	Goodwill	RiposteTrEx	Riposte	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cost</b>				
At 31 December 2012	30,870	3,560	2,346	36,776
Additions	-	927	1,738	2,665
Government grants	-	(512)	-	(512)
Exchange differences	244	-	-	244
At 31 December 2013	31,114	3,975	4,084	39,173
At 31 December 2013	31,114	3,975	4,084	39,173
Additions	-	1,092	1,128	2,220
Government grants	-	(72)	-	(72)
Exchange differences	(715)	(4)	(1)	(720)
At 31 December 2014	30,399	4,991	5,211	40,601
<b>Accumulated amortisation</b>				
At 31 December 2012	-	(1,030)	(41)	(1,071)
Charge for the year	-	(836)	(274)	(1,110)
At 31 December 2013	-	(1,866)	(315)	(2,181)
At 31 December 2013	-	(1,866)	(315)	(2,181)
Charge for the year	-	(845)	(308)	(1,153)
At 31 December 2014	-	(2,711)	(623)	(3,334)
<b>Net book value</b>				
At 31 December 2012	30,870	2,530	2,305	35,705
At 31 December 2013	31,114	2,109	3,769	36,992
At 31 December 2014	30,399	2,280	4,588	37,267

Of the additions of US\$2,220,000 (2013: US\$2,665,000), gross of government grants, US\$2,200,000 (2013: US\$2,492,000) relate to capitalised labour (see note 3). The remaining amount, US\$20,000 (2013: US\$173,000), relates to capitalised professional fees.

Amortisation of US\$0.85m (2013: US\$0.84m) on RiposteTrEx and amortisation of US\$0.31m (2013: US\$0.27m) on Riposte is included in operating costs in the income statement. With the exception of RiposteTrEx and some of the Riposte products, these products are still in the development phase and no amortisation has occurred. The average remaining amortisation period of the RiposteTrEx development is 27 months (2013: 27 months). In the year there was US\$1.7m (2013: US\$1.7m) of research and development expenditure (excluding amortisation) recognised as an expense in the income statement as the state of completion was not viewed as being sufficiently developed to warrant capitalisation.

## 8 Government Grants

Government Grants of US\$72,000 (2013: US\$512,000) were recognised in the year and were netted against the development cost of the related intangible assets. For further details please see Note 7.

## 9. Trade and other receivables

	2014 US\$'000	2013 US\$'000
Trade receivables	5,361	5,301
Less provision for impaired receivables	(228)	(233)
Trade receivable - net	<u>5,133</u>	<u>5,068</u>
Accrued income	3,378	2,813
Prepayments	974	708
Other receivables	215	517
Recoverable taxes	815	609
	<u>10,515</u>	<u>9,715</u>

The carrying value of trade receivables approximates to their fair value.

Trade receivables are non-interest bearing and are generally settled within a 45 day period.

### *Ageing of trade receivables*

The ageing analysis of past due trade receivables is set out below:

	2014 US\$'000	2013 US\$'000
Neither impaired nor past due	1,682	2,446
Less than 30 days past due	1,685	1,252
Between 31-60 days past due	1,182	728
More than 90 days past due	584	642
Impaired	228	233
	<u>5,361</u>	<u>5,301</u>

As of 31 December 2014, trade receivables of US\$1,682,000 (2013: US\$2,446,000) were fully performing.

As of 31 December 2014, trade receivables of US\$3,451,000 (2013: US\$2,622,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As of 31 December 2014, trade receivables of \$228,000 (2013: US\$233,000) were impaired. The individually impaired receivables mainly relate to two customers.

(b) The majority of the Group's customers operate within the postal service industry, primarily representing national post offices. As at 31 December 2014, a significant portion of the trade receivables of the Group related to four customers (2013: three customers) as follows:

	2014 %	2013 %
Customer A	22%	8%
Customer B	21%	1%
Customer C	10%	25%
Customer D	10%	10%
Customer E	2%	16%

## 10 Cash and cash equivalents

	2014 US\$'000	2013 US\$'000
Cash at banks and in hand	5,720	6,712

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group's currency exposure is set out below. Such exposure comprises the cash and cash equivalents of the Group that are denominated other than in US dollars. As at 31 December 2014 these exposures were as follows:

	2014 US\$'000	2013 US\$'000
<b>Non-US Dollar denominated cash balances</b>		
Euro	2,385	3,198
Sterling	103	110
Singapore dollar	305	122
South African Rand	25	22
Total non-US Dollar	2,818	3,452

## 11 Trade and other payables

	2014 US\$'000	2013 US\$'000
Trade payables	994	1,256
Amounts owed to subsidiaries	-	-
Other creditors and accruals	1,692	2,062
Deferred revenue	5,405	5,579
	8,091	8,897

## 12 Borrowings

	Book value		Fair value	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
<b>Non-current liabilities</b>				
Bank loans	7,000	8,000	7,005	7,949
Deferred financing costs	(234)	(370)	(234)	(370)
<b>Borrowings</b>	<u>6,766</u>	<u>7,630</u>	<u>6,771</u>	<u>7,579</u>
<b>Current liabilities</b>				
Bank loans	4,000	1,000	4,000	1,000
Deferred financing costs	(134)	(135)	(134)	(135)
<b>Borrowings</b>	<u>3,866</u>	<u>865</u>	<u>3,866</u>	<u>865</u>
<b>Total borrowings</b>	<u>10,632</u>	<u>8,495</u>	<u>10,637</u>	<u>8,444</u>

On 9 October 2013, the Group agreed a revised banking facility with Bank of Ireland Corporate Banking comprising a US\$9.0 million five year term loan facility and a revolving twelve-month facility for US\$3.0 million, which was fully drawn at year end (2013: undrawn). The amended term loan is amortising to October 2018.

### Currency

All of the Group's borrowings are denominated in US Dollars.

### Maturity of financial borrowings

The maturity profile of the carrying amount of the Group's borrowings is set out below.

	Within 1 year US\$'000	Between 1 & 2 years US\$'000	Between 2 & 5 years US\$'000	After 5 years US\$'000	Total US\$'000
Bank loans	1,000	1,000	7,000	-	9,000
Deferred financing	(135)	(135)	(235)	-	(505)
<b>Borrowings at 31 December 2013</b>	<u>865</u>	<u>865</u>	<u>6,765</u>	<u>-</u>	<u>8,495</u>
Bank loans	4,000	1,000	6,000	-	11,000
Deferred financing	(134)	(134)	(100)	-	(368)
<b>Borrowings at 31 December 2014</b>	<u>3,866</u>	<u>866</u>	<u>5,900</u>	<u>-</u>	<u>10,632</u>

Borrowings are secured by fixed and floating charges over the Group's assets, including the guarantee of the holding Company.

### 13 Cash generated from operations

	2014 US\$'000	2013 US\$'000
<b>(Loss)/profit before tax</b>	(470)	1,480
<b>Adjustments for</b>		
Depreciation	519	488
Amortisation of intangible assets	1,153	1,110
Amortisation of deferred financing	137	167
Finance income	(14)	(40)
Finance costs	463	443
Employee share based payments	278	562
Effect of foreign exchange	(283)	(169)
<b>Changes in working capital</b>		
Increase in trade and other receivables	(1,050)	(1,184)
(Decrease)/increase in trade and other payables	(965)	1,192
<b>Cash (used in)/generated from operations</b>	(232)	4,049

### 14 Share capital and share premium

Number of Ordinary shares	Ordinary shares US\$'000	Total US\$'000
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#### Authorised share capital

*Equity share capital*

At 1 January 2013, 31 December 2013 and 31 December 2014

A ordinary shares of €0.005 each	201,000,000	1,395	1,395
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#### Issued share capital

	Number of shares	Equity share capital US\$'000	Share premium US\$'000	Total US\$'000
A ordinary shares of €0.005 each				
At 1 January 2013	18,633,096	128	26,899	27,027
Shares issued during the year	21,797	-	-	-
At 31 December 2013	18,654,893	128	26,899	27,027
Shares issued during the year	34,177	-	10	10
At 31 December 2014	18,689,070	128	26,909	27,037

During 2014, 34,177 shares (2013: 21,797) were issued during the year as part of the Group's share-based payments scheme. For further details please see note 15.

## 15 Share-based payments

During 2014, the Group did not grant any share options. In 2013, 267,742 options were granted through its share option scheme to Directors and to selected employees. The exercise price of the options granted in 2013 was set at £2.525. The options vest at various stages over three years. The options are conditional on the employee remaining in the Company's employment at the vesting date. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The first vesting date of options granted in 2013 was April 2014.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Average exercise price in US\$ per share option	Options	Average exercise price in US\$ per share option	Options
At 1 January	1.942	543,274	0.007	310,071
Granted	-	-	3.887	267,742
Forfeited	2.634	(24,002)	0.930	(12,742)
Exercised	0.554	(34,177)	0.007	(21,797)
At 31 December	1.956	485,095	1.942	543,274

Out of the 485,095 outstanding options (2013: 543,247 options), 226,534 options (2013: 83,912) were exercisable at 31 December 2014.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant - vest	Expiry date – 1 January	Exercise price in US\$ per share options	Share options	
			2014	2013
2012-15	2013	0.007	72,570	83,912
	2014	0.007	75,404	97,333
	2015	0.007	93,491	97,333
2013-16	2014	3.887	78,560	88,232
	2015	3.887	82,535	88,232
	2016	3.887	82,535	88,232
			485,095	543,274

For options granted in 2013, the weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was US\$1.39 per option. The significant inputs into the model were weighted average share price of US\$3.85 at the grant date, exercise price shown above, dividend yield of nil, an expected option life of five years; volatility of 32.42% based on the past movement in the share price and an annual risk-free interest rate of 4.25%. See note 2 for the total expense recognised in the income statement for share options granted to Directors and employees.

## 16 Subsequent events

There were no significant subsequent events since 31 December 2014.

## 17 Earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year 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 income and share data used in the basic and diluted (loss)/earnings per share computations.

	2014 US\$'000	2013 US\$'000
<b>(Loss)/profit attributable to ordinary shareholders</b>	(995)	919
	<hr/>	
	Number	Number
<b>Weighted average number of shares used in basic (LPS)/EPS</b>	18,682,012	18,647,324
Effects of:		
Employee share options	-	543,274
<b>Weighted average number of shares used in diluted (LPS)/EPS</b>	18,682,012	19,190,598
	<hr/>	
Basic (loss)/earnings per share (in US\$ cent per share)	(5.3)	4.9
Diluted (loss)/earnings per share (in US\$ cent per share)	(5.3)	4.8
	<hr/>	