Escher Group Holdings plc

Increasing maintenance revenue driving profits growth

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 2015.

Financial highlights

- Revenue grew 4% to US$22.0 million (2014: US$21.1 million)
  - Maintenance revenue grew 32%, to US$7.6 million (2014: US$5.7 million)
- Adjusted EBITDA* up 94% to US$4.0 million (2014: US$2.1 million)
- Profit before tax is US$1.1 million (2014: loss US$0.5 million)
- Basic earnings per share (EPS) of US$2.3 cents (2014: loss US$5.3 cents)

Operational highlights

- Rollout of major customers in North America and Malaysia
- Continued transition to more predictable revenue stream
- Strong retention within existing customer base; renewals of maintenance and support contracts in line with previous years
- New contracts signed;
  - First contract in the financial services sector, permanent tsb (PTSB), Irish bank with over 1 million customers
  - Canada Post, Self-Service Kiosk stations
  - Isle of Man, Hybrid Mail solutions
  - An Post, National License & Permits Application System
- Expanded product and sectoral offerings, securing new customers in;
  - Retail banking
  - Central Government
  - Local Enterprise Partnerships
  - "Always Open" post office

* 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:

"2015 marked a year of tangible progress with improved profitability driven by the transition to maintenance of two major customers in North America and Malaysia and a major subscription based contract in Germany.

"Over the last few years, we have heavily invested in developing a very flexible and scalable Digital Transaction Management platform which can be used across a range of vertical markets and opportunities. As a result, we have seen several new contract wins in our complementary businesses, Digital Services and Interactive Services.

"We are also looking at licensing our platform to other businesses who require technology to provide solutions for markets where Escher does not currently operate, opening up diverse opportunities."

"The current financial year has started in line with the Board's expectations. Given the quality of our pipeline, current technology set and contracted for revenue, we remain confident about the prospects for 2016 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 provider of outsourced, point-of-service software for use in the worldwide postal, retail and financial industries. Its core software, Riposte®, a Digital Transaction Platform, enables our customers to expand their offerings, providing new services, reducing costs and increasing efficiency.

The Riposte® Platform securely extends the retail branch network. Our technology creates new revenue opportunities, streamlines operations, and its flexibility allows it to be deployed across multiple platforms and devices, giving the ultimate freedom of choice when it comes to channel and hardware selection.

Our focus is to ensure the success of our customers by delivering the very best in innovative technology for their business.

Overview

2015 was a year of tangible progress, strategically, operationally and financially, resulting in improved profitability. The Retail Services business encapsulating the postal business continues to be the core of Escher's success. New applications have also been developed on Escher's software platforms which present opportunities to expand and develop into new markets.

The underlying postal business delivered a strong performance. Group revenue was US$22.0 million (2014: US$21.1 million) generating US$4.0 million adjusted EBITDA* (2014: US$2.1 million), an increase of 94% year on year.

The main driver behind the increase in profitability was the transition to maintenance of two major customers in North America and Malaysia and the initiation of a major subscription based contract in Germany. These were key developments and large contributors to Escher being able to transition towards having more predictable revenue streams.

The Group continues to report strong retention within the existing customer base and renewals of maintenance and support contracts are in line with previous years.

At the same time, the Group has also continued to invest in expanding product functionality, based on its Digital Transaction Platform, Riposte. As a result Escher has continued to see developments in its complementary businesses, Digital Services and Interactive Services which use the Riposte platform. Interest has been shown by postal organisations, central and local government entities as well as from private companies and start-ups in using the platform.

During 2016, Escher intends to look at these global opportunities, outside its traditional postal point of sale market. Such opportunities may include retail branch banking, government licencing, *eMoney* service provision or secure digital messaging.

In order to position the Group nimbly, to address these emerging opportunities, Escher is reviewing ways in which it might accelerate the adoption and customisation of its software platform for various disparate market segments. This review may include the formation of joint ventures, partnerships and investments in start-ups.

Outlook

eCommerce activity continues to grow for many of Escher's customers with many of them also experiencing an increase in retail and digital services. Traditional letter volumes continue to decline. This trend is expected to continue, driving postal organisations to reinvest in technology and physical infrastructure.

With Escher's extended history of customer and product delivery, unrivalled sectoral knowledge and enhanced product offerings, the Group is uniquely positioned to benefit from the customer investment in software infrastructure over the medium term.

The Group remains focused on postal organisations as its core marketplace. It will continue to drive opportunities in this sector to deliver increased penetration during 2016, supported by the continuing investment in its complementary product portfolio; Digital Services and Interactive Services.

Escher'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 2015, Escher has a good pipeline of new business opportunities and is confident that new customers will be signed during the course of 2016.

Currently, Escher's contracted and recurring revenues for 2016 are expected to amount to more than 50% of total 2016 revenue. The majority of this revenue is contractually committed for several years, is high margin and is not dependent on new license sales.

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 2016 and beyond.

Operational Review

Retail Services
Escher remains the market-leading vendor of outsourced software to the postal industry with over 30 national postal operators around the world. Roll out of its key customer in North America continued at pace during 2015 which resulted in the recognition of the remaining license fee during the year. Another key customer in Malaysia completed their full rollout during 2015. This resulted in both customers moving onto maintenance and support services during the year. These two sizeable contracts will add to Escher's recurring revenue stream going forward.

In July 2015, the Irish retail bank, permanent tsb (PTSB), with over one million customers, licensed Escher's point of service software for rollout to their 77 branches nationally. PTSB is providing a full range of financial and payment services based on the Escher platform.

Escher's branch banking solution is a highly scalable and flexible point of service platform, which tightly integrates with background banking platforms. This new initiative, launched in 2015, supports banks with better service for their customers at self-service, kiosks, ATMs or even at the counter with handheld tablets and mobile devices.

PTSB is the first banking institution to license Escher's software directly and the Group believe that the successful delivery of this contract will open up further opportunities for sales within the banking industry. This contract provides evidence that Escher's technology solution addresses the needs of other industries and markets.

Another highlight during the year was securing a new contract with Canada Post, providing them with a leading edge technology to enhance the way they connect with their customers. Escher is working with Canada Post to provide Self-Service Kiosk stations, which operate in a 24/7 unattended environment creating an 'always open' post office. This is a revolutionary new innovation that is changing the way post offices are able to connect with customers at all times. Escher is pleased about this opportunity as we move into 2016 as it also leads to further opportunities to add value through integration with Digital Services such as our One View of Retail.

Escher's One View of Retail was launched at this year's Post Expo in Paris. Escher's technology empowers organisations with a complete 360 degree overview of their business including all transactions taking place on the store floor. Complete with back office data capability, identity and loyalty Escher's One View of Retail is giving greater control to the store employee and better services to the customers.

Digital services
RiposteTrEx is a secure, highly scalable, cloud based service 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 Digital Services, Escher has successfully developed strategic partnerships with organisations that provide opportunities for Escher's platform. In 2015, Escher was awarded contracts in the UK to partner with The North East and London Local Enterprise Partnerships, new business support platforms where people can gain access to the latest in business news, events, and have access to direct communication with the National Business Support headline. These partnerships demonstrate how Escher's digital technology is a key asset for organisations that need to implement a successful open collaborative communications platform.

A highlight for Digital Services in 2015 was being awarded the contract to digitally deliver Ireland's National License & Permits applications system for enterprises, working with AnPost (the Irish Post Office) who will host the platform. Escher's RiposteTrEx™ solution was chosen, following a competitive tender run by the Local Government Management Agency.

Escher will be delivering a complete digital solution. Escher's digital license, permits and grant applications offers workflow automation, identity management, eSignatures, eCommerce transactions, payments and publishing. This will allow citizens, businesses and government organizations to access any license, permit or grant they require at a central location. This opportunity is the very beginning of a major growth initiative for Escher to expand the license, permits and grants solution to other countries.

RiposteTrEx has global potential to offer similar cloud based applications to central and local governments and public bodies.

During 2015 the Group continued to invest in its e-registered mail solution for the South African Post Office, which went into soft launch. Isle of Man Post Office signed a multi-year contract to offer a combination of Physical and Digital Mail Services to its customers. These collaborations demonstrates Escher's ability to implement new, expanded services to current customers.

Interactive services
The Group continues to invest 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.

The Group has also integrated the mobile technology into its Riposte platform to provide an integrated *eMoney* solution for social service payments. Isle of Man Post Office implemented its eMoney platform to deliver an innovative and secure technology, which will enable it to offer a digital payment system to its consumers. The initial solution will allow consumers to claim government pension and benefits payments.

Market interest in our Enterprise Mobility solutions remains strong as the Group's customers continue to explore opportunities in digital commerce. This is driving demand for more access points, more flexible software solutions and an increasing range of additional services. Escher's Enterprise Mobility solution which works across all mobile operating systems offers both existing customers and future prospects a flexible product range which can meet their specific needs. During 2015 Escher delivered a number of early stage proof of concepts which offer significant opportunities in the medium term. Escher's multi-year Deutsche Post DHL (DPDHL) contract, which was signed in 2014 and fully rolled out in 2015, allowed DPDHL to expand its retail network by more than 10,000 retail points throughout Germany in both a cost effective and timely manner.

Start-up investments
Since the year end, the Group announced it had licensed RiposteTrEx to Dublin based financial technology start up, Deposify and invested €125k in the business. Deposify aims to bring trust to the landlord and tenant relationship. Its payments platform allows landlords and tenants to manage and control how and when rental deposits are paid and resolve deposit related disputes quickly. Given the growing opportunities in other diverse sectors Escher is looking to license the platform to other businesses who require technology to provide solutions for markets where Escher does not currently operate.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2015 was US$22.0 million (2014: US$21.1 million), an increase of 4%, which reflects a substantial increase in recurring revenue streams of maintenance and support. Revenue would have been US$23.3 million at constant exchange rates.

In March 2015, Escher recognised the remaining $2.4 million license revenue from a key customer of the Group, having achieved the final license milestone. Maintenance fees commenced from March 2015 for a multi-year period, which resulted in an increase in maintenance revenue in 2015.

Analysis of revenue by category	2015 US$'000	2014 US$'000	Change %	Contribution to Group %
Software licenses	**4,138**	5,231	(21)	19
Maintenance	**7,606**	5,760	32	34
Support	**2,393**	2,276	5	11
Software development and consulting services	**7,873**	7,880	-	36
	22,010	21,147	4	100

License revenue was US$4.1 million (2014: US$5.2 million). In addition to the US$2.4 million outlined above the other main license fee recognised during the year was from PTSB in respect of a retail banking solution.

Maintenance revenue increased 32%, or US$1.9 million, as a result of new customers moving from the implementation phase to the maintenance phase.

Revenue from support increased by 5% to US$2.4 million (2014: US$2.3 million) and reflects new support revenue from existing customers as roll-outs are completed, partially offset by effects of contract renegotiation and currency fluctuations.

Gross profit

Gross profit was US$13.6 million (2014: US$12.9 million). The gross profit margin increased to 62% (2014: 61%). The gross profit margin for license, maintenance and support revenue streams remained in line with prior years.

Operating expenses/profit

Operating expenses reduced by US$0.8 million or 6% to US$12.0 million due to strong cost management and lower costs as a result of favourable exchange rates. Decreases in sales and marketing and administrative expenses were partially offset by an increase of US$0.8 million in research and development (R&D) reflecting continued investment in the Group's portfolio of products.

R&D increased from 14% of revenue to 17% of revenue. R&D expenses included an R&D tax credit of US$0.3 million (2014: US$0.6million). Excluding the R&D tax credit, R&D spend as a percentage of revenue increased from 17% to 18%, reflecting the Group's continued investment in new technologies such as Enterprise Mobile and Digital services.

Both administration expenses and sales and marketing spend were reduced by US$0.7 million and US$1.0 million, respectively, reflecting prudent cost management and favourable exchange rates.

Analysis of operating expenses by category	**2015 US$'000**	2014 US$'000	Increase/ (decrease) %
Research and development	**3,770**	2,923	29
Sales and marketing	**3,612**	4,613	(22)
Administrative expenses	**4,613**	5,272	(12)
Total	**11,995**	12,808	(6)

The Group capitalised US$1.3 million of R&D costs (2014: US$2.2 million), gross of government grants of US$0.1 million (2014: US$0.1 million) in respect of internally generated intangible assets. The amortisation charge for intangible assets was US$1.8 million (2014: US$1.2 million). The split between the projects and the amortisation charges are as follows:

	2015 US$'000	2014 US$'000
Riposte capitalised cost	**782**	1,128
RiposteTrEx capitalised cost	**528**	1,092
Total capitalised cost during year	**1,310**	2,220
Riposte amortisation	**(945)**	(308)
RiposteTrEx amortisation	**(900)**	(845)
Total amortisation cost during year	**(1,845)**	(1,153)
Net impact on the income statement	**(535)**	1,067

Operating profit and adjusted EBITDA

Adjusted EBITDA increased by US$1.9 million, or 94%, to US$4.0 million (2014: US$2.1 million), reflecting the increase in revenue coupled with the reduction in costs. Adjusted EBITDA represents operating profit before depreciation, amortisation and share based payments.

	2015 US$'000	2014 US$'000
Operating profit	**1,654**	116
Add back:		
Depreciation	**372**	519
Amortisation	**1,845**	1,153
EBITDA	**3,871**	1,788
Share based payment	**131**	278
Adjusted EBITDA	**4,002**	2,066

Net finance expense

Net finance expense is unchanged at US$0.6 million. The amortisation charge for deferred financing costs for 2015 was US$0.1 million (2014: US$0.1 million).

Results before tax
The profit before tax is US$1.1 million (2014: loss before tax US$0.5 million). Adjusted profit before tax excluding share based payments is US$1.2 million (2014: adjusted loss before tax US$0.2 million).

Income tax expense
The income tax expense is US$0.6 million (2014: US$0.5 million). Included in the income tax expense is US$0.2 million (2014: US$0.3 million) related to the final phase of the Group's corporate restructuring. Excluding this, the tax charge is US$0.4 million, out of which, some related to withholding tax on invoices issued to certain jurisdictions (2015: US$0.1 million; 2014: US$0.1 million). As a consequence of the completion of the corporate restructuring there will be no related tax charge in 2016 and this will result in a lower effective tax rate for the Group going forward.

Earnings per share
The Group reported a basic earnings per share (EPS) of US$2.3 cents per share (2014: loss US$5.3 cents per share). Diluted EPS for 2015 was US$2.2 cents compared to a loss of US$5.3 cents per share 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 2015 was US$2.7 million (2014: US$5.3 million). Cash at the end of 2015 was US$7.3 million (2014: US$5.7 million) and borrowings were US$10.0 million (2014: US$11.0 million).

Net cash generated from operations is US$4.2 million (2014: net cash used US$0.8 million). The year-on-year movement mainly relates to the higher adjusted EBITDA and reduction in trade and other receivables year-on-year, which was partially offset by the movement in trade and other payables due to the decrease in Escher's trade payables.

Net cash used from financing activities is US$1.0 million compared to cash generated in financing activities of US$2.0 million in 2014. During 2015 scheduled loan repayments totalling US$1.0 million were made (2014: US$1.0 million). In 2014, loan repayments were offset by a drawdown of US$3.0 million of the revolving credit facility, which the Group maintained throughout 2015.

Post year end the Group received $0.9m in cash from two customers in respect of balances substantially beyond normal credit terms at year end.

Consolidated income statement
For the financial year ended 31 December 2015

	Notes	2015 US$'000	2014 US$'000
Revenue	1	**22,010**	21,147
Cost of sales	2	**(8,361)**	(8,223)
Gross profit		**13,649**	12,924
Operating expenses	2	**(11,995)**	(12,808)
Operating profit		**1,654**	116
Finance income	4	**2**	14
Finance costs	4	**(598)**	(600)
Net finance costs		**(596)**	(586)
Profit/(loss) before income tax		**1,058**	(470)
Income tax expense	5	**(632)**	(525)
Profit/(loss) for the financial year		**426**	(995)
Earnings per share (in US$ cents per share)	17		
– Basic		**2.3**	(5.3)
– Diluted		**2.2**	(5.3)

Reconciliation of EBITDA and adjusted EBITDA		2015 US$'000	2014 US$'000
Operating profit		**1,654**	116
Depreciation	6	**372**	519
Amortisation	7	**1,845**	1,153
EBITDA		**3,871**	1,788
Share options expense	3	**131**	278
Adjusted EBITDA		**4,002**	2,066

Consolidated statement of comprehensive income
For the financial year ended 31 December 2015

	2015 US$'000	2014 US$'000
Profit/(loss) for the financial year	**426**	(995)
Other comprehensive income:		
Items that may be reclassified to the income statement		
Currency translation differences	**(589)**	(932)
Total comprehensive income for the financial year	**(163)**	(1,927)

Consolidated statement of financial position
At 31 December 2015

	Notes	**2015 US$'000**	2014 US$'000
Assets			
Non-current assets			
Property, plant and equipment	6	**383**	722
Intangible assets	7	**36,051**	37,267
Deferred tax assets	5	**723**	730
		37,157	38,719
Current assets			
Trade and other receivables	9	**7,164**	10,515
Cash and cash equivalents	10	**7,346**	5,720
		14,510	16,235
Total assets		**51,667**	54,954
Equity and liabilities			
Equity attributable to equity holders of the parent			
Issued capital presented as equity	14	**128**	128
Share premium	14	**26,909**	26,909
Other reserves		**810**	1,268
Retained earnings		**7,552**	7,126
Total equity		**35,399**	35,431
Non-current liabilities			
Borrowings	12	**5,844**	6,766
Deferred tax liabilities	5	**—**	49
Provisions for other liabilities and charges		**21**	23
		5,865	6,838
Current liabilities			
Borrowings	12	**3,911**	3,866
Trade and other payables	11	**6,277**	8,091
Current income tax liabilities		**215**	728
		10,403	12,685
Total liabilities		**16,268**	19,523
Total equity and liabilities		**51,667**	54,954

Consolidated statement of changes in equity
For the financial year ended 31 December 2015

	Equity share capital US$'000	Share premium US$'000	Cumulative Foreign currency translation reserve US$'000	Share based payment reserves US$'000	Retained earnings US$'000	Total equity US$'000
Balance at 1 January 2014	**128**	**26,899**	**(49)**	**1,971**	**8,121**	**37,070**
Loss for the financial year	—	—	—	—	(995)	(995)
Other comprehensive income	—	—	(932)	—	—	(932)
Total comprehensive income for the financial year	—	—	(932)	—	(995)	(1,927)
Share based payments	—	—	—	278	—	278
Shares issued under options	—	10	—	—	—	10
Balance at 1 January 2015	**128**	**26,909**	**(981)**	**2,249**	**7,126**	**35,431**
Profit for the financial year	—	—	—	—	426	426
Other comprehensive income	—	—	(589)	—	—	(589)
Total comprehensive income for the financial year	—	—	(589)	—	426	(163)
Share based payments	—	—	—	131	—	131
Shares issued under options	—	—	—	—	—	—
Balance at 31 December 2015	**128**	**26,909**	**(1,570)**	**2,380**	**7,552**	**35,399**

Consolidated statement of cash flows
For the financial year ended 31 December 2015

	Notes	2015 US$'000	2014 US$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	13	**5,719**	(232)
Interest received		**2**	3
Interest paid		**(487)**	(445)
Income tax paid		**(1,069)**	(197)
R&D tax credit received		**—**	62
Net cash generated from/(used in) operating activities		**4,165**	(809)
Cash flows from investing activities			
Purchases of property, plant and equipment	6	**(57)**	(258)
Additions to intangible assets	7	**(1,310)**	(2,220)
Government grant received		**136**	348
Net cash used in investing activities		**(1,231)**	(2,130)
Cash flows from financing activities			
Repayment of borrowings	12	**(4,000)**	(1,000)
Proceeds from borrowings	12	**3,000**	3,000
Borrowing costs		**(40)**	—
Net cash (used in)/generated from financing activities		**(1,040)**	2,000
Net increase/(decrease) in cash and cash equivalents		**1,894**	(939)
Cash and cash equivalents at beginning of financial year		**5,720**	6,712
Foreign exchange adjustments		**(268)**	(53)
Net increase/(decrease) in cash and cash equivalents		**1,894**	(939)
Cash and cash equivalents at end of financial **year**	10	**7,346**	5,720

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

Basis of preparation

The financial information contained in this results announcement has been extracted from the Group financial statements for the year ended 31 December 2015 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 2015 have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations endorsed by the European Union and were approved by the Board of Directors on 4 March 2016. The accounting policies used in preparing the group financial statements for 31 December 2015 are consistent with those applied in the prior year. The 2015 Annual Report will be distributed to shareholders and made available on the Company's website 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 2015 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 assesses 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:

Analysis of revenue by category	2015 US$'000	2014 US$'000
Software development and consulting services	**7,873**	7,880
Software licenses	**4,138**	5,231
Maintenance	**7,606**	5,760
Support	**2,393**	2,276
	22,010	21,147

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

	2015 US$'000	2014 US$'000
Ireland	**1,546**	382
UK	**645**	476
Other Europe	**5,331**	4,956
North America	**10,161**	7,774
Asia-Pacific region	**1,939**	3,584
Africa and Middle East	**2,388**	3,975
	22,010	21,147

Fluctuations in revenues with individual customers are typically due to a combination of the number of upfront perpetual license contracts as well as the level and timing of development and other software customisation requirements with that customer (the latter being from both initial customisation work following a new license 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 who individually represented 10% or more of total reported revenues for that year:

	2015	2014
	%	%
Customer A	**38%**	35%
Customer B	**5%**	13%
% of total reported revenues	**43%**	48%

The total of non-current assets other than deferred income tax assets located in the Republic of Ireland is US$10.2 million (2014: US$12.2 million), and the total of non-current assets located in other countries, primarily North America, is US$26.2 million (2014: US$25.8 million).

2 Expenses by nature

	2015	2014
	US$'000	US$'000
Employee benefit expense (note 3)	**9,209**	9,877
Rental and utilities expense	**1,056**	1,179
Travel costs	**799**	979
Consulting and contractors expense	**1,963**	2,008
Insurance	**586**	685
Loss on foreign exchange	**623**	283
Legal fees	**211**	322
Direct selling and marketing costs	**538**	601
Depreciation (note 6)	**372**	519
Amortisation of intangible assets (note 7)	**1,845**	1,153
Data communications	**357**	442
Professional fees	**759**	901
Directors' remuneration	**1,173**	1,452
Provision for impaired receivables	**297**	(5)
Other expenses	**568**	635
Total	**20,356**	21,031
Analysed as:		
Cost of sales	**8,361**	8,223
Research and development	**3,770**	2,923
Sales and marketing	**3,612**	4,613
Administrative expenses	**4,613**	5,272
Operating Costs	**11,995**	12,808
Total	**20,356**	21,031

3. Employee benefit expense

	2015 US$'000	2014 US$'000
Wages and salaries	**9,618**	11,187
Social insurance costs	**502**	348
Pension costs – defined contribution scheme	**278**	318
	10,398	11,853
Capitalised labour	**(1,310)**	(2,200)
	9,088	9,653
Employee share based payments	**121**	224
	9,209	9,877

Total share based payments for the period amounted to US$131,000 (2014: US$278,000) of which US$121,000 (2014: US$224,000), disclosed above, related to employees excluding Directors. The remaining US$10,000 (2014: US$54,000) related to Directors' remuneration.

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

	2015 Number	2014 Number
Development	**100**	115
Selling and distribution	**17**	25
Administration	**22**	24
	139	164

The number of persons employed by the Group (including executive Directors) at 31 December 2015 was 140 (2014: 152).

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 administrated funds. The pension charge represents contributions payable by the Group to the schemes and amounted to US$278,000 for employees excluding Directors in respect of 2015 (2014: US$318,000), of which US$79,000 was accrued at the year end (2014: US$75,000).

4 Finance income and costs

	2015 US$'000	2014 US$'000
Finance income		
Interest income	**2**	14
Finance costs		
Interest on bank borrowings	**(463)**	(436)
Amortisation of deferred financing costs	**(135)**	(137)
Finance charges	**—**	(27)
	(598)	(600)
Net finance costs	**(596)**	(586)

5 Income tax expense

(a) Recognised in the income statement

	2015 US$'000	2014 US$'000
Current income tax		
Irish corporation tax at 12.5%	**151**	21
Foreign corporation tax	**334**	1,042
Adjustments in respect of current income tax of previous years	**189**	56
Total current tax	**674**	1,119
Deferred tax		
Origination and reversal of temporary differences	**(42)**	(594)
Total deferred tax	**(42)**	(594)
Total income tax charge recognised in the income statement	**632**	525

(b) Reconciliation of the total actual tax charge

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:

	2015 US$'000	2014 US$'000
Profit/(loss) before taxation	**1,058**	(470)
Tax calculated at the Irish standard rate of corporation tax of 12.5%	**132**	(59)
Effects of:		
Income taxable at higher rates in other jurisdictions	**127**	331
Dividend fiscal charge	**—**	88
Expenses not deductible for tax purposes	**94**	27
R&D tax credit – non-taxable	**(66)**	(76)
Other adjustments	**10**	17
Foreign withholding tax suffered	**146**	141
Adjustment in respect of current income tax of previous years	**189**	56
Total income tax charge	**632**	525

(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 2014 of US$226,000. This subsidiary utilised these tax losses in 2015 so the balance is zero as at 31 December 2015.

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

	2015 US$'000	2014 US$'000
Deferred tax assets		
Trade losses carried forward	**—**	226
Foreign R&D tax credits	**180**	181
Unrealised foreign exchange transactions	**8**	—
Intangible assets	**231**	—
Share options	**220**	228
Other	**84**	95
	723	730
Deferred tax liabilities		
Unrealised foreign exchange transactions	**—**	49
	—	49

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

	1 January 2014 US$'000	Recognition in income statement credit/(charge) US$'000	31 December 2014 US$'000
Deferred tax assets			
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
	721	9	730

	1 January 2015 US$'000	Recognition in income statement credit/(charge) US$'000	**31 December 2015 US$'000**
Deferred tax assets			
Trade losses carried forward	226	(226)	**—**
Unrealised foreign exchange transactions	—	8	**8**
Foreign R&D tax credits	181	(1)	**180**
Intangible assets	—	231	**231**
Share options	227	(7)	**220**
Other	96	(12)	**84**
	730	(7)	**723**

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

	1 January 2015 US$'000	Recognition in income statement credit/(charge) US$'000	**31 December 2015 US$'000**
Deferred tax liabilities			
Unrealised foreign exchange transactions	**(49)**	**49**	**—**
	(49)	**49**	**—**

Analysis of non-current and current portions of deferred tax assets and liabilities:

	2015 US$'000	2014 US$'000
Deferred tax assets		
Non-current	**400**	408
Current	**323**	322
	723	730

	2015 US$'000	2014 US$'000
Deferred tax liabilities		
Non-current	**—**	—
Current	**—**	(49)
	—	(49)

6 Property, plant and equipment

Group	Computer equipment US$'000	Fixtures and fittings US$'000	Equipment US$'000	Leasehold improvements US$'000	Total US$'000
Cost					
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**
At 31 December 2014	1,492	495	264	223	2,474
Additions	48	1	7	1	57
Exchange differences	(50)	(28)	(23)	(7)	(108)
At 31 December 2015	**1,490**	**468**	**248**	**217**	**2,423**
Accumulated depreciation					
At 31 December 2013	(2,331)	(538)	(132)	(176)	(3,177)
Charge for the financial 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)
At 31 December 2014	(1,231)	(213)	(137)	(171)	(1,752)
Charge for the financial year	(190)	(92)	(59)	(31)	(372)
Exchange differences	63	8	6	7	84
At 31 December 2015	**(1,358)**	**(297)**	**(190)**	**(195)**	**(2,040)**
Net book value					
At 31 December 2013	486	370	75	82	1,013
At 31 December 2014	261	282	127	52	722
At 31 December 2015	**132**	**171**	**58**	**22**	**383**

Depreciation of US$182,000 (2014: US$282,000) has been charged in administrative expenses and US$190,000 (2014: US$237,000) in cost of sales in the income statement.

7 Intangible assets

Group only	Goodwill US$'000	RiposteTrEx US$'000	Riposte US$'000	Total US$'000
Cost				
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
At 31 December 2014	30,399	4,991	5,211	40,601
Additions	—	528	782	1,310
Government grants	—	(25)	(110)	(135)
Exchange differences	(546)	—	—	(546)
At 31 December 2015	**29,853**	**5,494**	**5,883**	**41,230**
Accumulated amortisation				
At 31 December 2013	—	(1,866)	(315)	(2,181)
Charge for the financial year	—	(845)	(308)	(1,153)
At 31 December 2014	—	(2,711)	(623)	(3,334)
At 31 December 2014	—	(2,711)	(623)	(3,334)
Charge for the financial year	—	(900)	(945)	(1,845)
At 31 December 2015	**—**	**(3,611)**	**(1,568)**	**(5,179)**

Net book value				
At 31 December 2013	31,114	2,109	3,769	36,992
At 31 December 2014	30,399	2,280	4,588	37,267
At 31 December 2015	**29,853**	**1,883**	**4,315**	**36,051**

Of the additions of US$1,310,000 (2014: US$2,220,000), gross of government grants, US$1,310,000 (2014: US$2,200,000) relates to capitalised labour (see note 3). The remaining amount, US$ Nil (2014: US$20,000), relates to capitalised professional fees.

Amortisation of US$0.85 million (2014: US$0.85 million) on RiposteTrEx and amortisation of US$1 million (2014: US$0.31 million) 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 35 months (2014: 27 months). In the year there was US$1.9 million (2014: US$1.7 million) 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$135,000 (2014: US$72,000) 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

	2015 US$'000	2014 US$'000
Current		
Trade receivables	**4,712**	5,361
Less provision for impaired receivables	**(370)**	(228)
Trade receivable – net	**4,342**	5,133
Accrued income	**1,457**	3,378
Prepayments	**344**	974
Other receivables	**187**	215
Recoverable taxes	**834**	815
	7,164	10,515

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:

	2015 US$'000	2014 US$'000
Neither impaired nor past due	**1,859**	1,682
Less than 30 days past due	**880**	1,685
Between 31–90 days past due	**269**	1,182
More than 90 days past due	**1,334**	584
Impaired	**370**	228
	4,712	5,361

As of 31 December 2015, trade receivables of US$1,859,000 (2014: US$1,682,000) were fully performing.

As of 31 December 2015, trade receivables of US$2,483,000 (2014: US$3,451,000) 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 2015, trade receivables of US$370,000 (2014: US$228,000) 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 2015, a significant portion of the trade receivables of the Group related to three customers (2014: four customers) as follows:

	2015 %	2014 %
Customer A	**31%**	22%
Customer B	**23%**	0%
Customer C	**16%**	21%
Customer D	**7%**	10%
Customer E	**0%**	10%

No credit limits were exceeded during the year and management does not expect any losses from non-performance by the counterparties.

10 Cash and cash equivalents

	2015 US$'000	2014 US$'000
Cash at banks and in hand	**7,346**	5,720

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 2015 these exposures were as follows:

	2015 US$'000	2014 US$'000
Non-US Dollar denominated cash balances		
Euro	**1,150**	2,385
Sterling	**231**	103
Singapore Dollar	**128**	305
South African Rand	**16**	25
Total non-US Dollar	**1,525**	2,818

11 Trade and other payables

	2015 US$'000	2014 US$'000
Current		
Trade payables	**383**	994
Accruals	**1,262**	1,088
Other Creditors including tax and social insurance	**387**	604
Deferred revenue	**4,245**	5,405
	6,277	8,091

	2015 US$'000	2014 US$'000
Other Creditors including tax and social insurance comprise:		
Income tax deducted under PAYE	**210**	406
Pay related social insurance	**57**	65
Other Creditors	**120**	133
	387	604

12 Borrowings

	Book value		Fair value	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Non-current liabilities				
Bank loans	**6,000**	7,000	**5,796**	7,005
Deferred financing costs	**(156)**	(234)	**(156)**	(234)
Borrowings	**5,844**	6,766	**5,640**	6,771
Current liabilities				
Bank loans	**4,000**	4,000	**4,000**	4,000
Deferred financing costs	**(89)**	(134)	**(89)**	(134)
Borrowings	**3,911**	3,866	**3,911**	3,866
Total borrowings	**9,755**	10,632	**9,551**	10,637

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 (2014: fully drawn). 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$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	After 5 years US$'000	Total US$'000
Bank loans	4,000	1,000	6,000	—	11,000
Deferred financing	(134)	(134)	(100)	—	(368)
Borrowings at 31 December 2014	3,866	866	5,900	—	10,632
Bank loans	4,000	1,000	5,000	—	10,000
Deferred financing	(89)	(89)	(67)	—	(245)
Borrowings at 31 December 2015	**3,911**	**911**	**4,933**	**—**	**9,755**

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

	Group 2015 US$'000	Group 2014 US$'000
Profit/(loss) before tax	**1,058**	(470)
Adjustments for:		
Depreciation	**372**	519
Amortisation of intangible assets	**1,845**	1,153
Amortisation of deferred financing	**135**	137
Finance income	**(2)**	(14)
Finance costs	**463**	463
Employee share based payments	**131**	278
Effect of foreign exchange	**623**	(283)
Changes in working capital		
Decrease/(increase) in trade and other receivables	**3,054**	(1,050)
Decrease in trade and other payables	**(1,960)**	(965)
Cash generated from/(used in) operations	**5,719**	(232)

14 Share capital and share premium

Authorised share capital	Number of ordinary shares	Ordinary shares US$'000	Total US$'000
Equity share capital			
At 1 January 2014, 31 December 2014 and 31 December 2015			
A ordinary shares of €0.005 each	201,000,000	1,395	1,395

Issued share capital	Number of shares	Equity share Capital (presented as equity) US$'000	Share premium US$'000	Total US$'000
A ordinary shares of €0.005 each				
At 1 January 2014	18,654,893	128	26,899	27,027
Shares issued during the financial year	34,177	—	10	10
At 31 December 2014	18,689,070	128	26,909	27,037
Shares issued during the financial year	17,501	—	—	—
At 31 December 2015	**18,706,571**	**128**	**26,909**	**27,037**

During 2015, 17,501 shares (2014: 34,177) were exercised during the year as part of the Group's share based payment scheme. For further details please see note 15.

15 Share based payments

In 2015, 44,228 options were granted through the company's share option scheme to selected employees (2014: Nil). The options were granted in two tranches; 17,228 with an exercise price of $0.006, which vested in 2015, and 27,000 with an exercise price of $0.005, which vest in 2016. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Under the main share option plan the options have a seven year life from their date of vesting. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Average exercise price in US$ per share option	**Options**	Average exercise price in US$ per share option	Options
At 1 January	**1.956**	**485,095**	1.942	543,274
Granted	**0.005**	**44,228**	—	—
Forfeited	**3.310**	**(20,177)**	2.634	(24,002)
Exercised	**0.007**	**(17,501)**	0.554	(34,177)
At 31 December	**1.794**	**491,645**	1.956	485,095

Out of the 491,645 outstanding options (2014: 485,095 options), 387,666 options (2014: 226,534) were exercisable at 31 December 2015.

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

			Share options	
Grant – vest	Vesting year	Exercise price in US$ per share options	**2015**	2014
2012–15	2013	0.007	**66,737**	72,570
	2014	0.007	**69,570**	75,404
	2015	0.007	**84,657**	93,491
2013–16	2014	3.887	**74,663**	78,560
	2015	3.887	**71,645**	82,535
	2016	3.887	**80,145**	82,535
2015-16	2015	0.006	**17,228**	—
	2016	0.005	**27,000**	—
			491,645	485,095

For the 17,228 options granted and vested within the year: The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was US$3.3797 per option. The significant inputs into the model were weighted average share price of US$3.385 at the grant date, exercise price shown above, dividend yield of nil, an expected option life of one year, volatility of 31.29% based on the past movement in the share price and an annual risk-free interest rate of 4.25%. For the 27,000 options granted and vested in 2016: The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was US$2.7437 per option. The significant inputs into the model were weighted average share price of US$2.748 at the grant date, exercise price shown above, dividend yield of nil, an expected option life of one year, volatility of 30.35% based on the past movement in the share price and an annual risk-free interest rate of 4.25%. See note 3 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 2015.

17 Earnings per share

Basic earnings/(loss) 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 earnings/(loss) per share computations.

	2015 US$'000	2014 US$'000
Profit/(Loss) attributable to ordinary shareholders	**426**	(995)

	Number	Number
Weighted average number of shares used in basic EPS/(LPS)	**18,699,923**	18,682,012
Effects of:		
Employee share options	**265,444**	—
Weighted average number of shares used in diluted EPS/(LPS)	**18,965,367**	18,682,012
Basic earnings/(loss) per share (in US$ cents per share)	**2.3**	(5.3)
Diluted earnings/(loss) per share (in US$ cents per share)	**2.2**	(5.3)