13 September 2016

# Escher Group Holdings plc

## Half year results

Escher Group Holdings plc (AIM: ESCH, 'Escher' or 'the Group'), a world leading provider of point-of-service software for use in the postal, retail and financial industries, has published its results for the six months ended 30 June 2016.

**Financial highlights**

- Revenue up 4% to US$12.34m (H1 2015: US$11.85m)
  - Strong growth in recurring revenue streams - now account for 47% of total revenues (H1 2015: 37%)
- Adjusted EBITDA* increased by 25% to US$3.35m (H1 2015: US$2.68m)
- Profit before tax up 43% to US$1.81m (H1 2015: US$1.26m)
- Basic EPS up 75% to US$7.0 cents (H1 2015: US$4.0 cents)

**Operational highlights**

- Recent large contract win with Vietnam Post confirms Group's position as supplier of choice in postal automation software
- Continuing trend of existing customers taking up broadened software range including Saudi Post contracting to use Escher's Enterprise Mobile and Loyalty Software
- South African Post Office launched digital mail system based on RiposteTrEx™ communications framework
- Transaction Management Platform, based on RiposteTrEx™, licensed to Deposify, Irish financial technology start-up company

**Liam Church**, Chief Executive, said:

***"Our core postal business has continued to perform strongly, driven by increased recurring maintenance and support revenues as a result of last year's deployment of our software solutions in Malaysia and North America.***

***"The contract win with Vietnam Post demonstrates the continuing demand and relevance in the postal market for our highly efficient and secure Riposte platform.***

***"Given the quality of our pipeline and contracted revenue, we remain confident about the prospects for H2 2016."***

*Operating profit before, depreciation, amortisation, and share based charge

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## Market abuse regulation

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

## About Escher

Escher is a world leading provider of point-of-service software to the postal and governmental sectors. Its core software, Riposte®, together with its wider Transaction Management Platform, can be used in the postal, retail and financial industries to enable enterprises to expand their offerings and provide new services.

The Riposte® Platform can operate at a significant scale and solves complex problems for enterprises and central and local governments as they eliminate paper and transition to full digital processes in their commercial interactions. Riposte® ensures the same transaction experience on a desktop, enterprise mobile device, consumer mobile device, on the web or through a third party agent, regardless of on premise or cloud-based managed service deployment.

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

## Overview

Escher delivered a strong set of results in the first half of 2016. Revenue grew 4% to US$12.34m (2015: US$11.85m) driven by increases in recurring support and maintenance revenues where the Group experienced strong levels of contract renewals.

The main driver behind the increase in revenue and profitability was the transition to maintenance and support of two major customers in North America and Malaysia. These were key developments and large contributors to Escher being able to transition towards having more predictable revenue streams. This emphasis on recurring revenues is likely to be reflected in moderated growth expectations, but with much greater predictability.

Consulting services revenue was lower due to two major contracts transitioning from a development and customisation phase to maintenance and support services.

License sales were strong in H1 2016 with sales to Vietnam Post and Deposify helping achieve revenue of US$3.62m. Last year's H1 license sales (US$3.64m) included the final portion of a major deployment, setting a high target to beat.

The transition of key customers to a fully-deployed status has contributed to strong growth in maintenance revenue which is up by 17% to US$4.05m (H1 2015: US$3.47m) and support revenue which is up by 77% to US$1.72m (H1 2015: US$0.97m).

Adjusted EBITDA* increased by 25% to US$3.35m (H1 2015: US$2.68m) and profit before tax increased by 43% to US$1.81m (H1 2015: US$1.26m).

Escher's strategy has been to broaden its software range and enhance its customer offering by investing in its existing software portfolio and new software ranges including Digital *(RiposteTrEx™ )*, Interactive Services and Enterprise Mobile software. This has enabled the Group to address the rapidly growing digital transaction management market, where Escher is focused on delivering solutions to postal and government organisations around the world.

## Current trading and outlook

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.

Escher has traded in line with the Board's expectations throughout H1 and will focus on securing additional license sales in H2 to meet its expectations for the current year.

## Operating review

### Software portfolio

The focus for the Group's core postal point of service market is to drive incremental sales from existing customers and to penetrate further the postal counter market with its *Riposte*® range of products. These provide seamlessly integrated counter and mobile-automation solutions for postal and retail organisations of all sizes.

Escher's recent contract win to supply Vietnam Post is further proof of its market leading position in the postal retail market. Renewals for existing maintenance and support contracts also remains strong.

Escher continues to invest in its software platforms and solutions for postal and government agencies; Digital, Interactive and Enterprise Mobile solutions. Much of the core platform development work has been completed, especially for digital and interactive solutions. This is reflected in reduced software capitalisation.

***Digital***

*RiposteTrEx*™ is Escher's platform for digital transaction management providing solutions for governments and businesses to securely manage communication and transactions internally and externally anytime and from anywhere. Driven by the need to reduce costs and increase interaction with citizens, governments and local authorities are looking for new cost effective and efficient ways to communicate.

In August 2015, Escher, in conjunction with its partner An Post (the Irish Post Office), was awarded the contract by the Local Government Management Association to digitally deliver national license & permits applications system for enterprises. The outsourced, cloud based service, is built on *RiposteTrEx*™. During H1 2016 this system went live and the number of licenses and permits available is growing monthly. Escher is now looking to exploit opportunities in licenses, permits and grant management in other geographies.

In February 2016 Deposify, a financial technology start-up, licensed the Group's Transaction Management Platform. 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.

During H1 2016, the South Africa Post Office (SAPO) officially launched its Digital Mail offering based on RiposteTrEx™ technology. RiposteTrEx™ will allow SAPO customers, including citizens, Government, businesses and SME's, to send electronically-registered and confidential mail to secure digital mailboxes, or as registered hybrid letters. All documents will have a secure digital signature. As with paper-based registered mail, proof of delivery and a full audit trail is recorded and available to the sender.

***Interactive Services***

Escher's consumer mobile solution, based on its interactive technology, provides an integrated *eMoney* solution for payments and loyalty offerings. In H1 2016 it was announced that Saudi Post is to pilot a loyalty platform for its postal network. The pilot is to last six months across 100 post offices, with the potential to then expand to all 800 Saudi Post offices.

***Enterprise Mobile Services***

Escher has further enhanced its Enterprise Mobile capabilities to deliver new solutions to postal operators and logistics companies. The Enterprise Mobile solution, which encompasses Windows CE, Windows Phone, Apple's IOS and Google's Android platforms, is designed to support the rapidly growing eCommerce market.

Following the successful deployment of this technology in Deutsche Post and DHL, Saudi Post is the latest customer to take advantage of these offerings. Saudi Post is piloting Escher's enterprise mobile and iMobility solution as an extension to its current services. It will allow Saudi Post to provide services at temporary locations as well as providing additional counters in existing offices.

## Financial review

**Revenue**

Overall revenue was up 4% to US$12.34m for the first half of 2016 (2015: US$11.85m).

The license contracts in Vietnam and with Deposify contributed to strong license revenue of US$3.62m (2015: US$3.65m).

Maintenance revenue was up 17% to US$4.05m (2015: US$3.47m), which was due to the commencement of maintenance contracts for customers who rolled out software in 2015 and a high level of maintenance contract renewal.

Support revenue rose strongly by 77% to US$1.72m (US$0.97m in 2015), mainly due to the commencement of one contract with a key customer.

The reduction in the lower-margin, software development and consulting revenue by 22% to US$2.95m (2015: US$3.76m) was mainly due to two major customers (Malaysia and North America) moving from a development phase to a fully-deployed phase, driving the increases in Maintenance and Support revenue.

There were no significant impacts on the Group's results in H1 2016 arising from fluctuations in exchange rates.

**Revenue breakdown**

| US$'m | H1 2016 | H1 2015 | Change % | H1 2016 Contribution to Group Revenue | H1 2015 Contribution to Group Revenue |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **Once-off** | | | | | |
| Software Licenses | 3.62 | 3.65 | -1% | 29% | 31% |
| Software development and consulting services | 2.95 | 3.76 | -22% | 24% | 32% |
| **Recurring** | | | | | |
| Maintenance | 4.05 | 3.47 | 17% | 33% | 29% |
| Support | 1.72 | 0.97 | 77% | 14% | 8% |
| **Total Revenue** | **12.34** | **11.85** | **4%** | **100%** | **100%** |

**Gross profit**
Gross profit for H1 2016 increased by 10% to US$8.43m compared to US$7.66m for 2015. The increase of US$0.77m was mainly due to the change in business mix, evolving towards a higher percentage of recurring revenues. This also impacted the gross margin rate which increased to 68% for 2016 (2015: 65%), with a larger proportion of support and maintenance revenue and less development and consulting revenue.

**Operating expenses/profit**
Operating expenses increased by 5% to US$6.39m (2015: US$6.08m) in line with planned investment.

Research & development (R&D) increased to US$2.23m in 2016 (2015: US$1.57m). As a percentage of revenue, R&D spend increased to 18% (2015: 13%). This increase in R&D is due to lower capitalisation of recent development expenditure and higher amortisation of previously capitalised intangible assets as these developments moved to their commercialisation stages.

The Group continued to focus on cost control which resulted in sales and marketing expenses reducing to US$1.82m (2015: US$2.06m) and administrative expenses to US$2.34m (2015: US$2.45m).

| US$'m | H1 2016 | H1 2015 | Movement | 2016 % of Revenue | 2015 % of Revenue |
|---|---|---|---|---|---|
| Research and development | 2.23 | 1.57 | 43% | 18% | 13% |
| Sales and marketing | 1.82 | 2.06 | -12% | 15% | 17% |
| Administrative expenses | 2.34 | 2.45 | -5% | 19% | 21% |
| **Total** | **6.39** | **6.08** | **5%** | **52%** | **51%** |

**Capitalisation and amortisation movements**
The Group capitalised US$0.66m (2015: US$0.79m) of R&D costs in H1 2016. As core work on platform technology development progresses, Escher is capitalising less of its R&D costs and expects this trend to continue in H2 2016 and 2017. In H1 2016, much of the capitalisation relates to the Enterprise Mobile solution which accounts for US$0.49m (2015: US$0.52m).

Amortisation of US$0.98m was charged in H1 2016 (2015: US$0.82m). The net impact on the income statement of capitalisation and amortisation was a charge of US$0.32m (2015: US$0.03m). R&D tax credits recognised in the first half of 2016 were US$0.15m (2015: US$0.27).

| US$'m | H1 2016 | H1 2015 | % change |
|---|---|---|---|
| **Additions** | | | |
| *RiposteTrEx* | 0.17 | 0.27 | -37% |
| Enterprise mobile | 0.49 | 0.52 | -2% |
| Total capitalisation | **0.66** | **0.79** | **-16%** |
| **Amortisation** | | | |

| | | | |
|---|---|---|---|
| *RiposteTrEx* | (0.32) | (0.42) | -24% |
| *Riposte* | (0.66) | (0.40) | 65% |
| Total amortisation | **(0.98)** | **(0.82)** | **20%** |
| **Net charge on the income statement** | **(0.32)** | **(0.03)** | **967%** |

**Reconciliation of operating profit to Adjusted EBITDA**
Adjusted EBITDA was up 25% to US$3.35m (2015: US$2.68m). Adjusted EBITDA represents operating profit before depreciation, amortisation and share based charges.

The increase was mainly due to the 4% increase in revenue and a 7% reduction in cost of sales, offset by a 5% increase in operating expenses. See below table.

| **US$'m** | **H1 2016** | **H1 2015** | **Change** | **% change** |
|---|---|---|---|---|
| Operating profit | 2.04 | 1.57 | 0.47 | 30% |
| Depreciation | 0.15 | 0.19 | -0.04 | -21% |
| Amortisation | 0.98 | 0.82 | 0.16 | 20% |
| **EBITDA** | **3.17** | 2.58 | **0.59** | **23%** |
| Share based payment | 0.18 | 0.10 | 0.08 | 80% |
| **Adjusted EBITDA** | **3.35** | 2.68 | **0.67** | **25%** |

**Net finance costs**
Because of the reduction in bank debt, net finance costs decreased to US$0.23 (2015: US$0.31m). The amortisation of the finance costs related to the Bank of Ireland (BOI) loan facility remained at US$0.07m.

**Profit before tax**
Profit before tax was up 43% to US$1.81m (2015: US$1.26m). Adjusted profit before tax, excluding share based payments was up 46% to US$1.99m (2015: US$1.36m).

**Income tax expense**
The effective tax rate was 27%, a reduction from the H1 2015 of 40%. Included in the H1 2015 income tax expense is US$0.2m related to the final phase of the Group's corporate restructuring. There is no comparative charge in the current period resulting in a lower effective tax rate for the Group which will be maintained going forward.

**Earnings per share**
Basic EPS was US$7.0 cents per share (2015: US$4.0 cents per share). Diluted EPS was US$6.7 cents per share (2015: US$3.9 cents per share).

**Dividend**
The Group is not paying a half year dividend.

**Cash flow and net debt**
Net debt at the end of June was US$2.68m (December 2015: US$2.65m). Cash at the end of June was US$3.82m (December 2015: US$7.35m) and borrowings were US$6.50m (December 2015: US$10.00m).

Net debt at the end of H1 increased slightly as compared to that at the end of H1 2015, due to the timing of customer receipts. During the period, a loan repayment of US$0.5m was made and the revolving facility of US$3.0 was repaid.

**Consolidated Income Statement**
**For the six months ended 30 June 2016**

| | Notes | Six months ended 30 June 2016 US$'000 (Unaudited) | Six months ended 30 June 2015 US$'000 (Unaudited) | Year ended 31 December 2015 US$'000 (Audited) |
|---|---|---|---|---|
| Revenue | 5 | 12,340 | 11,850 | 22,010 |
| Cost of sales | | (3,913) | (4,195) | (8,361) |
| **Gross profit** | | **8,427** | **7,655** | **13,649** |
| Operating expenses | | (6,388) | (6,081) | (11,995) |
| **Operating profit** | | **2,039** | **1,574** | **1,654** |
| Finance income | | 1 | 1 | 2 |
| Finance costs | | (233) | (314) | (598) |
| **Net finance costs** | | **(232)** | **(313)** | **(596)** |
| **Profit before income tax** | | **1,807** | **1,261** | **1,058** |
| Income tax expense | | (491) | (504) | (632) |
| **Profit for the period** | | **1,316** | **757** | **426** |
| | | | | |
| **Earnings per share (US$ cent per share)** | | | | |
| Basic | 6 | 7.0 | 4.0 | 2.3 |
| Diluted | 6 | 6.7 | 3.9 | 2.2 |

| **Reconciliation of EBITDA and adjusted EBITDA** | | Six months ended 30 June 2016 US$'000 (Unaudited) | Six months ended 30 June 2015 US$'000 (Unaudited) | Year ended 31 December 2015 US$'000 (Audited) |
|---|---|---|---|---|
| **Operating Profit** | | **2,039** | **1,574** | **1,654** |
| Depreciation | 7 | 150 | 193 | 372 |
| Amortisation | 8 | 982 | 816 | 1,845 |
| **EBITDA** | | **3,171** | **2,583** | **3,871** |
| Share options expense | | 180 | 100 | 131 |
| **Adjusted EBITDA** | | **3,351** | **2,683** | **4,002** |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the six months ended 30 June 2016**

| | Six months ended 30 June 2016 US$'000 (Unaudited) | Six months ended 30 June 2015 US$'000 (Unaudited) | Year ended 31 December 2015 US$'000 (Audited) |
|---|---|---|---|
| **Profit for the period** | 1,316 | 757 | 426 |
| **Other comprehensive income:** | | | |
| Items that may subsequently be reclassified to the Income Statement: | | | |
| Currency translation differences | 97 | (459) | (589) |
| **Total other comprehensive income** | **97** | **(459)** | **(589)** |
| **Total comprehensive income for the period** | **1,413** | **298** | **(163)** |

The notes form an integral part of these condensed consolidated interim financial statements

**Consolidated Statement of Financial Position**
**As at 30 June 2016**

| | Notes | 30 June 2016 US$'000 (Unaudited) | 30 June 2015 US$'000 (Unaudited) | 31 December 2015 US$'000 (Audited) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 7 | 344 | 528 | 383 |
| Intangible assets | 8 | 35,808 | 36,637 | 36,051 |
| Deferred income tax assets | | 724 | 703 | 723 |
| **Total non-current assets** | | **36,876** | **37,868** | **37,157** |
| **Current assets** | | | | |
| Cash and cash equivalents | 9 | 3,816 | 7,776 | 7,346 |
| Trade and other receivables | | 9,248 | 9,155 | 7,164 |
| Financial assets | 10 | 521 | - | - |
| **Total current assets** | | **13,585** | **16,931** | **14,510** |
| **Total assets** | | **50,461** | **54,799** | **51,667** |
| **Equity and liabilities** | | | | |
| Issued capital | | 128 | 128 | 128 |
| Other reserves | | 1,086 | 909 | 810 |
| Retained earnings | | 8,868 | 7,883 | 7,552 |
| Share premium | | 26,909 | 26,909 | 26,909 |
| **Total equity** | | **36,991** | **35,829** | **35,399** |
| **Non-current Liabilities** | | | | |
| Borrowings | 9 | 5,388 | 6,332 | 5,844 |
| Deferred income tax liabilities | | - | 49 | - |
| Provisions for other liabilities and charges | | 22 | 22 | 21 |
| **Total non-current liabilities** | | **5,410** | **6,403** | **5,865** |
| **Current liabilities** | | | | |
| Borrowings | 9 | 936 | 3,866 | 3,911 |
| Trade and other payables | | 6,658 | 7,600 | 6,277 |
| Current income tax payable | | 466 | 1,101 | 215 |
| **Total current liabilities** | | **8,060** | **12,567** | **10,403** |
| **Total liabilities** | | **13,470** | **18,970** | **16,268** |
| **Total equity and liabilities** | | **50,461** | **54,799** | **51,667** |

The notes form an integral part of these condensed consolidated interim financial statements.

**Consolidated Statement of Changes in Equity**
For the six months ended 30 June 2016

| | Equity share capital | Share premium | Cumulative foreign currency translation reserve | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| (Unaudited) | | | | | | |
| **Balance at 1 January 2016** | **128** | **26,909** | **(1,570)** | **2,380** | **7,552** | **35,399** |
| Profit for the financial period | - | - | - | - | 1,316 | 1,316 |
| Other comprehensive income | - | - | 97 | - | - | 97 |
| Share based payments | - | - | - | 179 | - | 179 |
| **Balance at 30 June 2016** | **128** | **26,909** | **(1,473)** | **2,559** | **8,868** | **36,991** |
| (Unaudited) | | | | | | |
| **Balance at 1 January 2015** | **128** | **26,909** | **(981)** | **2,249** | **7,126** | **35,431** |
| Profit for the financial period | - | - | - | - | 757 | 757 |
| Other comprehensive income | - | - | (459) | - | - | (459) |
| Share based payments | - | - | - | 100 | - | 100 |
| **Balance at 30 June 2015** | **128** | **26,909** | **(1,440)** | **2,349** | **7,883** | **35,829** |
| (Unaudited) | | | | | | |
| Loss for the financial period | - | - | - | - | (331) | (331) |
| Other comprehensive income | - | - | (130) | - | - | (130) |
| Total comprehensive income | - | - | (130) | - | (331) | (461) |
| Share based payments | - | - | - | 31 | - | 31 |
| **Balance at 31 December 2015** | **128** | **26,909** | **(1,570)** | **2,380** | **7,552** | **35,399** |

The notes form an integral part of these condensed consolidated interim financial statements

**Consolidated Statement of Cash Flows**
**For the six months ended 30 June 2016**

| | | Six months ended 30 June 2016 | Six months ended 30 June 2015 | Year ended 31 December 2015 |
|---|---|---|---|---|
| | | US$'000 (Unaudited) | US$'000 (Unaudited) | US$'000 (Audited) |
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | **10** | **1,016** | **3,816** | **5,719** |
| Interest received | | 1 | 1 | 2 |
| Interest paid | | (168) | (227) | (487) |
| Income taxes paid | | (244) | (117) | (1,069) |
| R&D tax credit received | | 234 | - | - |
| **Net cash generated from operating activities** | | **839** | **3,473** | **4,165** |
| **Cash flows from investing activities** | | | | |
| Additions to intangible assets | | (660) | (793) | (1,310) |
| Acquisition of investments | | (139) | - | - |
| Government grant | | - | 136 | 136 |
| Purchase of property, plant and equipment | | (109) | (19) | (57) |
| **Net cash used in investing activities** | | **(908)** | **(676)** | **(1,231)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from borrowings | | - | 3,000 | 3,000 |
| Borrowing costs | | - | (28) | (40) |
| Repayment of borrowings | | (3,500) | (3,500) | (4,000) |
| **Net cash(used in) financing activities** | | **(3,500)** | **(528)** | **(1,040)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(3,569)** | **2,269** | **1,894** |
| Cash and cash equivalents at beginning of period | | 7,346 | 5,720 | 5,720 |
| Foreign exchange adjustments | | 39 | (213) | (268) |
| Net (decrease)/increase in cash and cash equivalents | | (3,569) | 2,269 | 1,894 |
| **Cash and cash equivalents at end of period** | | **3,816** | **7,776** | **7,346** |

The notes on pages 11 to 17 form an integral part of these condensed consolidated interim financial statements

**NOTES TO THE INTERIM FINANCIAL INFORMATION**
*For the six months ended 30 June 2016*

**1. General information**

Escher Group Holdings plc and its wholly-owned subsidiaries (collectively the "Group") are world-class providers of retail and message-based software solutions and services. The Group develops, markets, sells and supports enterprise-wide software applications for counter automation and distributed network communication. The Group's principal customers are international postal services. The Group services these customers from its offices in Ireland, the United States, Singapore, South Africa, and its branch in the United Kingdom.

The company was incorporated in the Republic of Ireland on 7 June 2007 as NG Postal Limited, a private company limited by shares. On 14 September 2007, the company acquired the main operating subsidiaries giving rise to the goodwill asset. The company was renamed Escher Group Holdings Limited on 2 September 2008.

The company re-registered as a public limited company on 14 July 2011 and changed its name to Escher Group Holdings plc on that date. On 25 July 2011, the Group filed for an Initial Public Offering on the London Stock Exchange plc's AIM Market. Admission to AIM occurred on 8 August 2011.

The Company's registered office is 111 St Stephens Green, Dublin 2, Ireland.

**2. Basis of preparation**

The Group's condensed consolidated interim financial statements included in this report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ('IAS 34') as adopted by the European Union. These condensed statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015 included in the Group's 2015 Annual Report which is available on the Group website www.eschergroup.com. The condensed consolidated interim financial statements presented do not constitute full statutory accounts. Full statutory accounts for the year ended 31 December 2015 will be filed with the Irish Registrar of Companies in due course. The Audit Report on those statutory accounts was unqualified.

The Group's condensed interim financial information for the six months ended 30 June 2016 and the comparative figures for the six months ended 30 June 2015 are unaudited. The financial information presented for the year ended 31 December 2015 represents an abbreviated version of the Group's financial statements for that year.

The Group's condensed financial information is presented in US Dollars (US$), rounded to the nearest thousand, which is the functional currency of the Group.

A comprehensive review of the Group's performance for the six months ended 30 June 2016 is included on pages 4 to 7 of this document.

**3. Going concern basis**

The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

**4. Accounting policies**

The Group's condensed interim financial information has been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in the Group's annual report for the year ended 31 December 2015. The principal risks and uncertainties faced by the Group were outlined in our 2015 annual report. The annual report is available on Escher's website. The principal risks and uncertainties have remained substantially the same for the current period.

**5. 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 charges, 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**

| | Six months ended 30 June 2016 US$'000 (Unaudited) | Six months ended 30 June 2015 US$'000 (Unaudited) | Year ended 31 December 2015 US$'000 (Audited) |
|---|---|---|---|
| Software licenses | 3,619 | 3,645 | 4,138 |
| Software development and consulting services | 2,953 | 3,764 | 7,873 |
| Maintenance | 4,053 | 3,467 | 7,606 |
| Support | 1,715 | 974 | 2,393 |
| **Revenue** | **12,340** | **11,850** | **22,010** |

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

| | Six months ended 30 June 2016 US$'000 (Unaudited) | Six months ended 30 June 2015 US$'000 (Unaudited) | Year ended 31 December 2015 US$'000 (Audited) |
|---|---|---|---|
| UK and Ireland | 1,150 | 1,199 | 2,191 |
| Other Europe | 2,475 | 2,570 | 5,331 |
| North & Latin America | 3,948 | 5,715 | 10,161 |
| Asia-Pacific region | 3,513 | 1,161 | 1,939 |
| Africa & Middle East | 1,254 | 1,205 | 2,388 |
| **Revenue** | **12,340** | **11,850** | **22,010** |

During the period the Group derived revenues from the following external customers (reporting segment region in parenthesis) which individually represented 10% or more of total reported revenues for that period:

| | Six months ended 30 June 2016 | Six months ended 30 June 2015 | Year ended 31 December 2015 |
|---|---|---|---|
| | % | % | % |
| | (Unaudited) | (Unaudited) | (Audited) |
| Customer A (North & Latin America) | 27% | 41% | 38% |
| Customer B (Asia-Pacific Region) | 23% | 0% | 0% |
| **% of total reported revenues** | **50%** | **41%** | **38%** |

The total of non-current assets other than deferred income tax assets located in the Republic of Ireland at 30 June 2016 is US$5m (Jun 2015: US$6.1m), and the total of non-current assets located in other countries is US$31m (Jun 2015: US$31.1m).

**6. Earnings per share**

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

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations.

| | Six Months ended 30 June 2016 | Six Months ended 30 June 2015 | Year ended 31 December 2015 |
|---|---|---|---|
| | US$'000 | US$'000 | US$'000 |
| | (Unaudited) | (Unaudited) | (Audited) |
| Profit attributable to ordinary shareholders | 1,315 | 757 | 426 |
| Basic weighted number of shares | 18,704,085 | 18,692,130 | 18,699,923 |
| Dilutive potential ordinary shares: | | | |
| Effects of employee share options | 432,923 | 251,093 | 265,444 |
| Diluted weighted number of ordinary shares | 19,137,008 | 18,943,223 | 18,965,367 |
| Basic earnings per share (in US$ cents per share) | 7.0 | 4.0 | 2.3 |
| Diluted earnings) per share (in US$ cents per share) | 6.9 | 4.0 | 2.2 |

**7. Property, plant and equipment**

| | 30 June 2016 | 31 December 2015 |
|---|---|---|
| | US$'000 | US$'000 |

| | (Unaudited) | (Audited) |
|---|---|---|
| **Net book value at beginning of the period** | **383** | **722** |
| Additions | 109 | 57 |
| Depreciation | (150) | (372) |
| Exchange differences | 2 | (24) |
| **Net book value at end of period** | **344** | **383** |

**8. Intangible assets**

| **At 30 June 2016** | Goodwill | Other Intangible assets | Total Intangible assets |
|---|---|---|---|
| | US$'000 (Unaudited) | US$'000 (Unaudited) | US$'000 (Unaudited) |
| **Net book value at 1 January 2016** | 29,853 | 6,198 | 36,051 |
| Additions | - | 660 | 660 |
| Amortisation charge | - | (982) | (982) |
| Exchange differences | 79 | - | 79 |
| **Net book value at 30 June 2016** | **29,932** | **5,876** | **35,808** |

| **At 31 December 2015** | Goodwill | Other Intangible assets | Total Intangible assets |
|---|---|---|---|
| | US$'000 (Audited) | US$'000 (Audited) | US$'000 (Audited) |
| **Net book value at 1 January 2015** | 30,399 | 6,868 | 37,267 |
| Additions | - | 1,310 | 1,310 |
| Government grants | - | (135) | (135) |
| Amortisation charge | - | (1,845) | (1,845) |
| Exchange differences | (546) | - | (546) |
| **Net book value at 31 December 2015** | **29,853** | **6,198** | **36,051** |

**9. Analysis of net debt**

| | 31 December 2015 | Movement | 30 June 2016 |
|---|---|---|---|
| | US$'000 (Audited) | US$'000 (Unaudited) | US$'000 (Unaudited) |
| **Cash and cash equivalents** | **7,346** | **(3,530)** | **3,816** |
| Non-current borrowings | (5,844) | 456 | (5,388) |
| Deferred finance costs | (156) | 44 | (112) |

| | | | |
|---|---|---|---|
| **Non-current borrowings** | **(6,000)** | **500** | **(5,500)** |
| Current borrowings | (3,911) | 2,975 | (936) |
| Deferred finance costs | (89) | 25 | (64) |
| **Current borrowings** | **(4,000)** | **3,000** | **(1,000)** |
| **Total borrowings** | **(10,000)** | **3,500** | **(6,500)** |
| **Net debt** | **(2,654)** | **(30)** | **(2,684)** |

Escher's long term debt has annual repayments of US$1m and expires in 2018. During H1 2016 Escher repaid its US$3m revolving facility. This facility remains available if required.

### 10. Financial assets

Financial assets relate to the investment Escher made in Deposify in H1 2016 and the associated loan note.

### 11. Cash generated from operations

| | Six Months ended 30 June 2016 US$'000 (Unaudited) | Six Months ended 30 June 2015 US$'000 (Unaudited) | Year ended 31 December 2015 US$'000 (Audited) |
|---|---|---|---|
| **Profit before tax** | **1,807** | **1,261** | **1,058** |
| Adjustments for: | | | |
| Depreciation | 150 | 193 | 372 |
| Amortisation | 982 | 816 | 1,845 |
| Amortisation of deferred finance costs | 69 | 66 | 135 |
| Finance income | (1) | (1) | (2) |
| Finance expense | 164 | 248 | 463 |
| Foreign exchange translation | (15) | 260 | 623 |
| Employee share based payments | 180 | 100 | 131 |
| (Increase)/decrease in trade and other receivables | (2,698) | 1,360 | 3,054 |
| Decrease in trade and other payables | 378 | (487) | (1,960) |
| **Cash generated from operations** | **1,016** | **3,816** | **5,719** |

### 12. Post balance sheet events

There have been no material events subsequent to the period end, which have not been reflected in the interim financial information.

### 13. Contingent liabilities

The Group is not aware of any major changes with regard to contingent liabilities in comparison with the situation as of 31 December 2015.

## 14. Related party transactions

Details of related party transactions in respect of the year ended 31 December 2015 are contained in Note 24 to the consolidated financial statements of the Group's 2015 annual report. The Group continued to enter into transactions in the normal course of business with its associates and other related parties during the period. There were no transactions with related parties in the first half of 2016 or changes to transactions with related parties disclosed in the 2015 consolidated financial statements that had a material effect on the financial position or the performance of the Group.

## 15. Cautionary statement

This document contains certain forward-looking statements with respect of the financial condition, results, operations and businesses of Escher Group Holdings plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause the actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

## 16. Copies of Interim Report

Copies of the interim financial statements are available from the Company at its office at 111 St Stephens Green, Dublin 2, Ireland. The interim financial information document will also be available on the Company's website www.eschergroup.com

## 17. Release of half yearly condensed financial statements

The Group condensed financial information was approved for release by a subcommittee of the Board of directors on 12 September 2016.