ESCHER GROUP

Full year results

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Escher Group Holdings PLC
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Revenue up 66%, adjusted profit before tax up 145% - driven by international contract wins

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 2012.

Highlights

- Year-on-year revenue grew 66% to US$23.0m (2011: US$13.9m)
- Adjusted EBITDA* up 66% to US$6.4m (2011: US$3.8m)
- Adjusted profit before tax** up 145% to US$4.8m (2011: US$2.0m)
- Profit before tax up 282% to US$4.4m (2011: US$1.1m)
- Adjusted basic earnings per share*** up 50% to US$19.1 cents per share (2011: US$12.7 cents)
- Basic earnings per share up 211% to US$16.5 cents per share (2011: US$5.3 cents)
- Profit after tax increased by 397% to US$3.0m
- Four new contract wins in 2012 with United States Postal Service (USPS), Pos Malaysia, Swaziland Post and Pakistan Post;
- Scaled organisation to deliver on significant new business opportunity especially USPS, including 74 new employees and contractors and a new office in Washington;
- Continued to invest in new products; RiposteTrEx platform established as portal for Constitutional Convention website in Ireland

* Operating profit before, depreciation, amortisation, share based payments and exceptional items

** Profit before tax excluding share based payments and 2011's exceptional item

***Earnings per share before share based payments and 2011's exceptional item

Liam Church, Escher's Chief Executive, commented:

"2012 was an excellent year for us, making significant progress in our core postal counter software business. We had our best ever year for new business, both in the number of customers won and their financial impact.

"In order to service these new customers, we are scaling our operations, increasing staff numbers at all levels and opening new offices. We are developing our infrastructure to support our continued international growth and the demand we are seeing.

"The current financial year has started well and with our investment in our new Riposte TrEx and NFC retail offerings addressing the emerging digital mail and interactive transaction segments, we are in a strong position to continue our rapid growth."

Enquiries:

Escher +353 (0)1 254 5400
Liam Church, Chief Executive Officer
Jonathan O'Connell, Finance Director
Fionnuala Higgins, EVP Sales & Marketing

Panmure Gordon +44 (0)20 7886 2500
Andrew Godber / Callum Stewart (Corporate Finance)
Hannah Woodley (Corporate Broking)

College Hill +44 (0)20 7457 2020
Adrian Duffield/Rozi Morris

Notes to Editors:

Escher is a world-leading provider of outsourced, point-of-sale software to the postal industry. Escher's core software, Riposte, provides a solution for postal authorities that are seeking to counteract a decrease in traditional mail revenue by expanding revenue opportunities through new services, thereby reducing cost and increasing efficiency.

Postal authorities' software requirements have become more complex, leading to a growing trend towards outsourcing. Riposte is already in use in 33 countries and territories worldwide. It is licensed for over 170,000 workstations.

Substantially all of Escher's existing customers are national postal authorities including United States Postal Services, An Post in Ireland, Austria Post, Deutsche Post, Norway's Posten and South Africa Post Office. The Group services these customers from its offices in Ireland, South Africa, Singapore, the United Kingdom and the United States.

Long licence and maintenance contracts and repeat business from quasi-governmental customers give Escher good visibility of high quality earnings.

The Group is targeting continued growth through incremental sales to existing customers, new sales within the postal industry, penetration of new vertical markets and through the launch of its revolutionary new product, RiposteTrEx.

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.

Overview

Escher made significant progress in 2012 with revenue up 66% to US$23.0m (2011: US$13.9m). The Group has continued its expansion and investment while maintaining control of its costs and cashflow. During the year adjusted EBITDA* grew 66% to US$6.4m from US$3.8m and net debt dropped dramatically to US$2.2m from US$8.3m.

Escher secured four new customer wins, including the Group's largest ever win with the United States Postal Service (USPS). This contract is expected to generate approximately US$50m over a fifteen-year term but with scope for substantial additional revenue. In addition, Escher has won significant contracts with Pos Malaysia, SwaziPost and Pakistan Post.

In winning these contracts, the Group has the opportunity to develop and strengthen its business operations enabling it to better meet customer requirements and take on larger transactions. Escher has invested in its infrastructure, doubling its staff numbers from 72 to 146 employees and contractors, recruiting experienced managers and opening a new office in Washington.

The challenges of modernising postal counters present an exciting opportunity and Escher will continue to develop new territories and new solutions. The world of communications is ever changing and demand for secure electronic communication of sensitive personal and business data is increasing. National postal services are the trusted carriers of sensitive communications and Escher believes it is a natural progression for them to become the trusted operators of digital mail and as the 'front office' for governments.

Digital mail should operate in a safe, secure and spam free environment, where communications are confidential between the sender and the receiver without knowledge by or interference from third parties. Escher has developed its Riposte TrEx digital content delivery platform to meet this demand and has made progress in interesting some national postal services in this exciting concept.

Escher has continued to invest in developing RiposteTrEx, targetting its existing customer base as early adoptersduring 2013. RiposteTrEx went live in December 2012, when it was selected by the Irish government to power its Constitutional Convention website, allowing Irish citizens to interact digitally with the state, using the website to make secure submissions.

Current trading and outlook

The Group's strengthening financial position, along with a significant amount of revenue already contracted, leaves Escher in a strong position for 2013. Escher's technology is built to withstand demanding environments and is now used by post offices in 35 countries. As the counter automation supplier of choice for postal organisations across the globe, the Group is ideally positioned to continue to grow its market share and to deliver further on the investments made in 2012.

The current financial year has started well and the Group continues to trade in line with the Board's expectations.

Financial review

Revenue

Revenue increased by 66% to US$23.0m in the year ended 31 December 2012 from US$13.9m in the prior year. This increase was mainly due to the four new contracts signed in 2012.

On account of the strong performance from licensing and professional services, the revenue mix altered with license revenue increasing by US$4.0m to US$6.3m and revenue from software development and consulting services growing strongly by 143% to US$8.7m. This growth is mainly from software development and integration contracts for Armenia, New Caledonia, South Africa and the USA. Revenue from support increased by 15% to US$2.9m. Revenue from maintenance decreased by 7% to US$5.1m, this is mainly due to the renegotiation of some older maintenance contracts.

Revenue by category	Year ended 31 December 2012 (US$m)	Year ended 31 December 2011 (US$m)	% change	Contribution to Group revenue %
Licensing	**6.3**	2.3	175%	27%
Software development and consulting	**8.7**	3.6	143%	38%
Support	**2.9**	2.5	15%	13%
Maintenance	**5.1**	5.5	(7%)	22%
Total revenue	**23.0**	13.9	66%	100%

Gross profit

During 2012, gross profit increased by US$5.0m to US$15.1m (2011: US$10.1m). The gross profit margin was 66% compared to 72.5% in 2011, driven by a change in revenue mix with a greater proportion of professional services revenue. In 2011, the Group had an exceptional item in respect of fundraising activities. The Group had no exceptional items during 2012.

Adjusted EBITDA

Adjusted EBITDA* increased by US$2.6m or 66% to US$6.4m from US$3.8m. Adjusted EBITDA represents operating profit before depreciation, amortisation, exceptional items and share based payments.

Operating expenses and profit

As planned, operating expenses before exceptional items for the year ended 31 December 2012 increased to US$10.2m (45% of revenue) from US$6.7m (49% of revenue) in the previous year, reflecting the growth in staff required to deliver on new projects such as USPS. Other cost increases reflect additional sales and marketing activities and the introduction of new business development teams to exploit the new products emerging from research and development (RiposteTrEx and NFC).

The general and administration (G&A) expenses and sales and marketing (S&M) expenditure increased (before exceptional items) by US$2.2m and US$1.9m respectively. This was in line with the growth in revenue leaving G&A and S&M at 21% and 17% of revenues compared to 20% and 14% in the prior year.

Research & development (R&D) reduced to US$1.5m or 7% of revenue compared to US$1.9m or 14% in the prior year, with many of the R&D staff being redeployed to help with the USPS project and an R&D tax credit of US$0.4m offsetting R&D expenses.

During 2012 operating profit increased 97% to US$4.9m from US$2.5m. Operating profit excludes US$2.7m (2011: US$2.2m) of development costs which have been capitalised on the following projects:

- Riposte TrEx US$1.1m (2011: US$1.4m), amortisation US$0.6m (2011: US$0.4m)
- Riposte development US$1.6m (2011: US$0.8m) amortisation US$0.04m (2011: US$nil)

Net finance expense

Net finance expense was US$0.5m, a reduction of US$0.8m or 61% from US$1.3m in 2011. This decrease related to the reduction in debt as a result of new funds raised in the IPO in August 2011; the refinancing of the debt in January 2012 at more attractive interest rates and the placing of additional shares in April 2012.

Included in the net finance expense for the year is US$0.1m (2011: US$nil) of amortisation relating to the finance costs arising on the new Bank of Ireland loan facility arranged in January 2012.

Profit before tax

The Group reported a 282% increase of profit before tax to $4.4m (2011: $1.1m). Adjusted profit before tax, excluding share based payments and last year's exceptional item, increased 145% to US$4.8m (2011: US$2.0m).

Income tax expense

The effective tax rate before exceptional items for the year ended 31 December 2012 was 32% (2011: 28% before exceptional items). The increase was due to number of factors including withholding taxes on revenue of US$0.3m (2011: $nil) and a tax charge of US$0.3m (2011: $nil) relating to corporate restructuring.

Earnings per share

Basic EPS was US$16.5 cents per share, a 211% increase in basic EPS over the prior year (2011: US$5.3 cents). Adjusted basic earnings per share, excluding share based payments and exceptional items, was US$19.1 cents per share (2011: US$12.7 cents). Fully diluted EPS was impacted by share options issued for the first time during 2012 and was US$16.3 cents per share, an increase of 208% (2011: US$5.3 cents).

Dividend

The Board does not propose paying a dividend for the year.

Profit for the period

The Group's profit after tax and exceptional items for the period increased by US$2.4m to US$3.0m for the year ended 31 December 2012 (2011: US$0.6m).

Cash flow and net debt

The Group's net debt was US$2.2m as at 31 December 2012 (31 December 2011: US$8.3m), a decrease of US$6.1m or 74% from the beginning of the year. Cash increased US$4.4m to US$7.8m (2011: US$3.4m). The improvement was mainly due to increased operational cash flow up US$2.5m to US$5.5m and the share issue in April 2012.

Net cash generated from operations for the year increased by 123% to US$4.2m (2011: US$1.9m). The change is driven by a large increase in adjusted EBITDA to US$6.4m (2011: US$3.8m) in addition to an increase in accounts payable of US$1.9m reflecting the increased activity. These increases were offset by a US$2.9m increase in receivables during the year which was in line with the increase in revenue. The balance of the year-on-year movement is primarily as a result of increased tax payments of US$1.1m (2011 US$0.7m) relating to higher profits in 2012 compared to 2011.

Net cash generated from financing activities in 2012 was US$3.6m (2011: US$3.6m). This was driven by net debt repayments of US$2.4m and an equity placement which netted US$6.0m. In January 2012, the Group secured new facilities from Bank of Ireland; a US$9.7m term loan facility and a US$1.8m revolving 12-month facility.

The Group drew down US$10.0m from these facilities to repay the outstanding balances of US$8.44m and US$3.4m on the IBRC and the Loan Note. A further US$2.75m of the Bank of Ireland term loan and the $1.8m revolving credit facilities has been repaid. In December 2012 the Group entered into a new term loan agreement for US$2.75m on substantially the same terms as the original term loan. The balance at 31 December 2012 was US$10.3m on the term loan facility. The revolving 12 month facility for US$1.8m is currently available for draw down. These funds were used to invest US$3.4m (2011: US$2.7m) in tangible and intangible fixed assets additions of US$0.7m and US$2.7m respectively.

Share placing

In April 2012, the Group raised US$6.4m with the additional placing of 1,599,999 shares. The cost of the additional placing of shares of US$0.3m has been fully accounted for in equity and no associated costs were included in the income statement.

Operational review

Postal counter market

The strategic focus for Escher's core postal counter market is to drive incremental sales from existing customers and to further penetrate the outsourced postal counter market with the Group's Riposte range of products. These provide seamlessly integrated counter and automation solutions for postal and retail organisations of all sizes.

2012 was an excellent year for new customer wins in the postal counter market, including the USA, Malaysia, Pakistan and Swaziland confirming Escher as a pre-eminent vendor of software to the postal industry. 35 postal services around the world use the Group's products to provide the infrastructure to generate revenues. USPS was Escher's largest contract win to date and is one of the largest retail software implementations in the world. The contract is expected to generate, over a fifteen-year term, approximately US$50m in revenue for the Group, with scope for

substantial additional revenue. The delivery of the USPS contract remains on schedule.

The Group also secured a contract to deliver centralised financial services to Pakistan Post in partnership with TelcoNet. This is the first phase of a comprehensive plan to deliver improvements across Pakistan's network of 13,000 post offices. SwaziPost, the national postal operator in Swaziland chose Escher's Riposte to modernise its postal network, to offer new revenue generating products and services while at the same time reducing the existing cost base.

In December, Malaysia's postal service selected Escher's postal counter product following a rigorous tender process. Escher's Riposte software will provide a single platform for the delivery for a network of services including retail, postal, payments, money transfer, banking and government services to Malaysia's 29 million citizens.

Existing postal customers also generate additional revenues through integration services and requests for additional software functionality. Renewal of maintenance and support contracts by the Group's existing customers remain consistent and in line with previous periods.

The economic environment continues to provide an opportunity for Escher with governments and post offices reviewing their costs and services. There is increased interest in the Group's product offering, which delivers cost savings whilst increasing the number of services that post offices are able to provide.

Combined with Escher's track record of delivery on large scale implementations for major post offices, this has resulted in Escher being involved with a number of additional tenders and early stage tender processes.

RiposteTrEx™ and Interactive Services

Digital technology is an important factor for postal operators. With new opportunities offered by digital point of service, they are diversifying their businesses to find new revenue opportunities, particularly from financial services, mobile money, e-government and the increase in digital mail. Governments are beginning to see their post office networks as strategic assets and as the 'front office' for government. Escher is developing its RiposteTrEx platform to meet these new opportunities.

RiposteTrEx is a digital postbox solution which allows citizens, businesses, governments and international agencies to collaborate securely online. It is the only digital content delivery platform that combines the power of structured data transmission with the convenience of sending traditional mail in electronic form.

RiposteTrEx was recently selected by the Irish government to power its Constitutional Convention website, allowing Irish citizens to interact digitally with the state. It is a powerful messaging platform and its application to Constitutional Convention was its first live usage. This is an unfunded pilot project that demonstrates the capability of the product. Escher is now actively pursuing commercial opportunities in several countries.

Escher Interactive Services (EIS), has implemented its NFC (Near Field Communications) technology in a number of retail outlets in Ireland. This utilises a number of technologies such as card emulation and "Peer to Peer" data transfer. Products currently being used by customers include loyalty & coupon programmes, closed loop and multi merchant payment programmes and interactive customer engagement.

This has developed the Group's experience in the interactive retail market and EIS now has several significant opportunities in the pipeline. A number of these opportunities involve a combination of TrEx and EIS technologies and the Group is now merging these technologies to create a broader platform that is more applicable amongst larger retail opportunities and postal service customers.

CONSOLIDATED INCOME STATEMENT
Extract from the audited results for the year ended 31 December 2012
For the Year Ended 31 December 2012

	Notes	2012	2011 Before exceptional items	2011 Exceptional items	2011 After exceptional items
		US$'000	US$'000	US$'000	US$'000
Revenue	2	22,953	13,862	-	13,862
Cost of sales	4	(7,804)	(3,807)	-	(3,807)
Gross profit		15,149	10,055	-	10,055
Operating expenses	3/4	(10,233)	(6,733)	(828)	(7,561)
Operating profit		4,916	3,322	(828)	2,494
Finance income	6	1	127	-	127
Finance costs	6	(531)	(1,474)	-	(1,474)
Net finance costs		(530)	(1,347)	-	(1,347)
Profit before income tax		4,386	1,975	(828)	1,147
Income tax expense	7	(1,387)	(544)	-	(544)
Profit for the year		2,999	1,431	(828)	603
Earnings per share (in US$ cent per share)	19				
- Basic		16.5	12.7	-	5.3
- Diluted		16.3	12.7	-	5.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2012

	2012 US$'000	2011 US$'000
Profit for the year	2,999	603
Other comprehensive income:		
Currency translation differences	(52)	(366)
Total comprehensive income for the year	2,947	237

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Extract from the audited results for the year ended 31 December 2012
At 31 December 2012

Assets	Notes	2012 US$'000	2011 US$'000
Non-current assets			
Property, plant and equipment	8	970	548
Intangible assets	9	35,705	33,963
Trade and other receivables	10	916	-
Deferred income tax assets	7	317	170
		37,908	34,681
Current assets			
Cash and cash equivalents	11	7,828	3,439
Trade and other receivables	10	7,615	5,650
		15,443	9,089
Total assets		53,351	43,770
Equity and liabilities			
Equity attributable to equity holders of the parent			
Issued capital	15	128	118
Share premium	15	26,899	20,884
Other reserves	17	880	517
Retained earnings		7,202	4,203
Total equity		35,109	25,722
Non-current liabilities			
Borrowings	13	6,410	-
Deferred income tax liabilities	7	317	141
Provisions for other liabilities and charges		-	24
		6,727	165
Current liabilities			
Borrowings	13	3,169	11,748
Trade and other payables	12	7,692	5,751
Current income tax liabilities		630	328
Derivative financial instruments		-	56
Provisions for other liabilities and charges		24	-
		11,515	17,883
Total liabilities		18,242	18,048
Total equity and liabilities		53,351	43,770

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Extract from the audited results for the year ended 31 December 2012
For the Year Ended 31 December 2012

	Equity share capital US$'000	Share Premium US$'000	Cumulative foreign translation reserve US$'000	Share based payment reserves US$'000	Retained earnings US$'000
Balance at 1 January 2011	13	-	(81)	425	3,640
Profit for the financial year	-	-	-	-	603
Other comprehensive income	-	-	(366)	-	-
Total comprehensive income for the year	-	-	(366)	-	603

Bonus issue of shares	40	-	-	-	(40)
Share based payments	1	-	-	539	-
Proceeds from the issue of shares on IPO	63	23,773	-	-	-
Shares issued in debt for equity swap on IPO	1	599	-	-	-
Share issue costs	-	(3,488)	-	-	-
Balance at 1 January 2012	**118**	**20,884**	**(447)**	**964**	**4,203**
Profit for the financial year	-	-	-	-	2,999
Other comprehensive income/(expense)	-	-	(52)	-	-
Total comprehensive income for the year	-	-	(52)	-	2,999
Share based payments	-	-	-	415	-
Proceeds from the issue of shares	10	6,346	-	-	-
Share issue costs	-	(331)	-	-	-
Balance at 31 December 2012	**128**	**26,899**	**(499)**	**1,379**	**7,202**

CONSOLIDATED STATEMENT OF CASH FLOWS
Extract from the audited results for the year ended 31 December 2012
For the Year Ended 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Cash flows from operating activities			
Cash generated from operations	14	5,573	2,982
Interest received		1	5
Interest paid		(337)	(418)
Income tax paid		(1,061)	(698)
Net cash generated from operating activities		4,176	1,871
Cash flows from investing activities			
Additions to intangible assets		(2,662)	(2,207)
Purchases of property, plant and equipment		(742)	(446)
Net cash used in investing activities		(3,404)	(2,653)
Cash flows from financing activities			
Repayment of Bacchantes PIK		(3,392)	-
Repayment of IBRC borrowings		(8,424)	(16,750)
Repayment of other borrowings		(4,281)	-
Proceeds from other borrowings		14,250	-
Borrowing costs		(580)	-
Proceeds from issue of ordinary shares		6,357	23,837
Share issue costs paid		(331)	(3,483)
Net cash generated from financing activities		3,599	3,604
Net increase in cash and cash equivalents		4,371	2,822
Cash and cash equivalents at beginning of year		3,439	779
Foreign exchange adjustments		18	(162)
Net increase in cash and cash equivalents		4,371	2,822
Cash and cash equivalents at end of year	11	7,828	3,439

SELECTED ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES
For the Year Ended 31 December 2012

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

1 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 2012 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 2012 have been prepared in EU-adopted IFRS and were approved by the Board of Directors on 8 March 2013. The accounting policies used in preparing the group financial statements for 31 December 2012 are consistent with those applied in the prior year. The 2012 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 2012 and their report was unqualified. The financial information for the year ended 31 December 2011 represents an abbreviated version of the Group's statutory financial statements on which an unqualified audit report was issued and which have been filed with the Companies Registration Office.

2 Consolidation

The consolidated financial information include the accounts of Escher Group Holdings plc, and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group has availed of the exemption under IFRS1 in relation to business combinations and has not applied IFRS3 retrospectively to business combinations prior to the date of transition to IFRS (1 January 2008).

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

3 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and whenever there is an indicator of impairment by comparing the carrying value to the recoverable amount and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. The Group has two CGUs. The combination of these CGUs represent the lowest level at which goodwill is monitored by the Group and the lowest level at which management captures information for internal management reporting purposes about the benefits of the goodwill. The combined CGUs are not larger than an operating segment.

4 Revenue recognition

The Group's revenue consists primarily of revenues from the sale of technology products and services. Revenue is measured at fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities. Where extended payment terms are agreed, beyond the normal credit period offered, the difference between fair value and nominal amount of the consideration is recognised as finance income in profit or loss by applying the effective interest method. Revenue is shown net of value-added-tax and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Revenue from software development and consulting services is recognised as the services are provided. The Group charges a service fee to customise software. If the service is on a contracted time and material basis, then the revenue is recognised as and when the services are performed. If it is a fixed fee, then the services revenue is recognised under the percentage of completion contract accounting method. The Group measures percentage of completion based on labour hours incurred to date as a proportion of total hours allocated to the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the period in which the circumstances that give rise to the revision become known by management. Unbilled revenues are recognised as revenue during the month the service is provided.

License revenue for time based licenses is deferred by the Group, and recognised evenly over the term of the license. Revenues for perpetually licensed software is recognised on customer acceptance, provided the company has objective evidence of fair value of any undelivered elements. Revenue is deferred for undelivered elements.

Maintenance revenue is recognised over the contractual periods. Related support services are recognised as the services are performed.

For customers where the collectability is not assured, revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group.

Where the Group receives payment from customers in advance of the performance of its contractual obligations, a liability equal to the amount received is recognised as deferred revenue. That liability is reduced and the amount of the reduction is recognised as revenue, when and as the Group obtains the right to consideration in exchange for the service it provides.

Deferred revenue includes license, software configuration and consulting service fees and maintenance and support contracts billed in advance.

5 Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in US dollar, which is the company's functional and the Group's presentation currency and is denoted by the symbol "US$".

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at

period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group entities
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each reporting period presented are translated at the closing rate at the date of that reporting period;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The Group has availed of the exemption in IFRS1, whereby the cumulative translation differences for all foreign operations were deemed to be reset to zero at the date of transition to IFRS (1 January 2008).

6 Research and development and software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Research expenditure is recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include the software development employee costs and an appropriate portion of relevant overheads.

Development costs that are capitalised are amortised over their expected useful life. The estimated useful lives currently range up to 5 years and are reviewed at each statement of financial position date. Amortisation commences when the asset is available for use.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Research and development tax credits from the government are recognised at their fair value where there is reasonable assurance that the credit will be received and the Group will comply with all the conditions attaching to them.

7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement for the liability for at least 12 months after the reporting date.

8 Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition,

seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill and intangible assets
The Group tests annually whether goodwill has suffered any impairment. Factors which the Group consider could trigger an impairment include, but are not limited to, significant negative industry or economic trends or changes in key assumptions underpinning the value in use calculation. No impairment charge arose in the course of the year. The recoverable amount of the group of cash generating units has been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Capitalisation of development costs and estimation of useful lives
Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. These calculations require the use of estimates, primarily around the level of directly attributable developer time and an appropriate portion of relevant overheads. Capitalisation ceases and amortisation commences once a product is available for deployment.

The estimated useful lives currently range up to 5 years and are reviewed at each statement of financial position date. Intangibles are tested for impairment if impairment indicators are identified. In 2012, the amortisation charge was US$679,000 (2011: US$358,000). If the amortisation period was shortened by 1 year for all categories of intangible assets, other than goodwill, in 2012 it would have resulted in an additional amortisation charge of US$175,000 (2011: US$90,000).

(c) Revenue recognition
The Group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver customisation services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognised in the year would increase by US$0.2m (2011: US$0.4m) if the proportion performed were increased, or would decrease by US$0.2m (2011: US$0.4m) if the proportion performed were decreased.

(d) Income tax
The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Determination of functional currency
The Group is headquartered in Ireland and has significant worldwide operations and accordingly principally operates in three main currencies. Reflecting its economic operating environment, the Group has determined that the US$ is the company's functional currency while for certain subsidiaries the functional currency has been determined to be the Euro.

(f) Trade receivables
Provision is made against trade receivables when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. This is a matter of management judgement, based on their best estimate of the likelihood of recovery on a specific, customer by customer basis.

2 Segment Information

In line with the requirements of IFRS 8, "Operating Segments", the Group has identified its Chief Operating Decision Maker (CODM). The Group has identified the Board of the company as its CODM. The Board reviews the Group's internal reporting in order to assess the performance of the Group and allocates 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 EBIDA and net profit. These product revenues derive from the Group's owned software products and from the following main sources:

Analysis of revenue by category	2012 US$'000	2011 US$'000
Software development and consulting services	8,634	3,556
Software licenses	6,325	2,299
Maintenance	5,123	5,510
Support	2,871	2,497
	22,953	13,862

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

	2012 US$'000	2011 US$'000
Ireland	334	330
UK	284	381
Other Europe	5,001	6,243
North & Latin America	8,261	1,402
Asia-Pacific region	5,560	1,136
Africa & Middle East	3,513	4,370
Revenue	22,953	13,862

Fluctuations in revenues with individual customers are typically due to a combination of up-front perpetual licence billings 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:

	2012 %	2011 %
Customer A	31%	-%
Customer B	17%	-%
Customer C	9%	15%
Customer D	8%	16%
% of total reported revenues	65%	31%

The total of non-current assets other than deferred income tax assets located in the Republic of Ireland is US$5.5m (2011: US$3.1m), and the total of non-current assets located in other countries is US$36.0m (2011: US$31.5m).

3 Exceptional Items

Exceptional expenses of US$nil (2011: US$0.8m) relate to professional fees and other related expenses on the fundraising activities in 2011. These are non-recurring once off expenses. There is no tax impact of these exceptional items.

4 Expenses by nature

	2012 US$'000	2011 US$'000
Employee benefit expense (note 5)	7,843	4,921
Rental expense	827	525
Travel costs	1,119	543
Consulting and contractors expense	2,287	964
Insurance	487	372
Loss on foreign exchange	421	118
Legal fees	384	221
Direct selling and marketing costs	335	423
Depreciation (note 8)	335	155
Amortisation of intangible assets (note 9)	679	358
Data communications	328	226
Auditors remuneration excluding assurance services	274	204
Professional fees	432	83
Directors' remuneration	1,665	879
Movement in doubtful debts provision	34	192
Other expenses	587	356
Exceptional items (note 3)	-	828
Total	18,037	11,368
Analysed as:		
Cost of sales	7,804	3,807
Research and development	1,501	1,948
Sales and marketing	3,874	1,954
Administrative expenses	4,858	3,659
Total	18,037	11,368

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

	2012 US$'000	2011 US$'000
Directors' remuneration		
Emoluments:		
- for services as directors	260	100
- for other services	1,405	779
	1,665	879

(b) The Group obtained the following services from the Group's auditor at cost as detailed below:

Auditors' remuneration	2012 US$'000	2011 US$'000
Remuneration of the auditors for the statutory audit of the individual and Group financial statements is as follows:		
Audit of the parent individual financial statements	11	11
Audit of the Group financial statements	119	133
Tax advisory services	50	42
Other non-audit services	94	18
Auditors' remuneration excluding assurance services	274	204
Other assurance services	61	756
	335	960

Included in other assurance services is US$0.1m (2011: US$0.8m) of costs arising from corporate restructuring projects. In 2011 directly attributable costs of US$0.5m in relation to the share issue has been deducted from equity and US$0.3m has been included in exceptional costs in the Income Statement.

(c) Employee share based payments:

The ultimate parent company operates a share based compensation plan which began in 2012. Certain directors and employees were granted shares in the company. The grant of these shares was not subject to performance conditions and the shares will vest at various stages over three years subject to service conditions being met.

The cost of the equity settled amount recognised in the year was US$444,000 (2011: US$nil). The expense in relation to these shares is based on the fair value of the shares at the date that the award was granted using the market price on the date of award. For further details please see note 16.

5 Employee benefit expense

	2012 US$'000	2011 US$'000
Wages and salaries	9,129	5,709
Social welfare costs	351	497
Pension costs - defined contribution scheme	149	129
	9,629	6,335
Capitalised labour	(2,160)	(1,414)
	7,469	4,921
Employee share based payments (see note 16)	374	-
	7,843	4,921

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

	2012 Number	2011 Number
Development	86	41
Selling and distribution	16	11
Administration	14	13
	116	65

The number of persons employed by the Group (including executive directors) at 31 December 2012 was 146 (2011: 72).

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$149,000 in respect of 2012 (2011: US$129,000), of which US$53,000 was accrued at the year-end (2011: US$154,727).

6 Finance income and costs

	2012 US$'000	2011 US$'000
Finance income		
Interest income	1	5
Fair value of derivatives	-	122
	1	127
Finance costs		
Interest on bank borrowings	(395)	(657)
Interest on debentures owing to shareholders	(2)	(817)
Amortisation of deferred financing costs	(134)	-
	(531)	(1,474)
Net finance costs	(530)	(1,347)

Finance income includes a credit of US$nil (2011: US$122,000) to reflect movements in the fair value of interest rate swaps, while finance costs includes a charge of US$nil (2011: US$nil) to reflect movements in the fair value of interest rate swaps.

7 Income tax expense

	2012 US$'000	2011 US$'000
(a) Recognised in the income statement		
Current income tax:		
Irish corporation tax at 12.5%	338	228
Foreign corporation tax	759	672
Adjustments in respect of current income tax of previous years	291	(213)
Total current tax	1,388	687
Deferred tax:		
Origination and reversal of temporary differences	(1)	(143)

Total income tax charge recognised in the income statement	1,387	544

(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:

Profit before taxation	4,386	1,147
Tax calculated at the Irish standard rate of corporation tax of 12.5%	548	143
Effects of.		
Income taxable at higher rates in other jurisdictions	514	360
Expenses not deductible for tax purposes	123	259
Other adjustments	(89)	(5)
Adjustment in respect of current income tax of previous years	291	(213)
Total income tax charge	1,387	544

(c) Deferred tax and unrecognised tax losses

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

	2012 US$'000	2011 US$'000
Deferred tax assets		
Foreign R&D tax credits	271	-
Unrealised foreign exchange transactions	17	182
Other	29	(12)
	317	170
Deferred tax liabilities		
Foreign dividend payable	317	-
Temporary differences on intangible assets	-	141
	317	141

As at 31 December 2012, a potential deferred tax asset has not been recognised by the Group in respect of losses of US$nil (2011: US$nil) that can be carried forward against future taxable income.

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

	1 January 2012 US$'000	Recognition in income statement credit/(charge) US$'000	31 December 2012 US$'000
Deferred tax assets			
Unrealised foreign exchange transactions	182	(165)	17
Foreign R&D tax credits	-	271	271
Other	(12)	41	29
Deferred tax asset	170	147	317

	1 January 2011 US$'000	Recognition in income statement credit/(charge) US$'000	31 December 2011 US$'000
Deferred tax assets			
Deferred revenue	70	(70)	-
Derivative financial instruments	23	(23)	-
Unrealised foreign exchange transactions	154	28	182
Other	49	(61)	(12)
Deferred tax asset	296	(126)	170

(c) Deferred tax and unrecognised tax losses (continued)

	1 January 2012 US$'000	Recognition in income statement credit/(charge) US$'000	31 December 2012 US$'000
Deferred tax liabilities			
Foreign intercompany dividends payable	-	(317)	(317)
Temporary differences on intangible assets	(141)	141	-
Deferred tax liability	(141)	(176)	(317)

	1 January 2011	Recognition in income	31 December 2011

		statement credit/(charge)	
	US$'000	US$'000	US$'000
Deferred tax liabilities			
Temporary differences on intangible assets	(124)	(17)	(141)

	1 January 2012	Recognition in income statement credit/(charge)	31 December 2012
	US$'000	US$'000	US$'000
Deferred tax in equity			
Share options	-	30	30

8 Property, plant and equipment

	Computer equipment US$'000	Fixtures and fittings US$'000	Equipment US$'000	Leasehold improvements US$'000	Total US$'000
Cost					
At 31 December 2010	2,934	475	181	167	3,757
Additions	438	8	-	-	446
Disposals	(81)	(1)	-	-	(82)
Exchange differences	(38)	(1)	(1)	-	(40)
At 31 December 2011	3,253	481	180	167	4,081
At 31 December 2011	3,253	481	180	167	4,081
Additions	313	298	75	56	742
Disposals	(1,044)	(34)	(87)	(24)	(1,189)
Exchange differences	12	3	2	7	24
At 31 December 2012	2,534	748	170	206	3,658
Accumulated depreciation					
At 31 December 2010	(2,711)	(440)	(160)	(164)	(3,475)
Charge for the year	(142)	(7)	(3)	(3)	(155)
Disposals	78	1	-	-	79
Exchange differences	15	1	1	1	18
At 31 December 2011	(2,760)	(445)	(162)	(166)	(3,533)
At 31 December 2011	(2,760)	(445)	(162)	(166)	(3,533)
Charge for the year	(275)	(28)	(23)	(9)	(335)
Disposals	1,039	33	87	23	1,182
Exchange differences	(2)	-	1	(1)	(2)
At 31 December 2012	(1,998)	(440)	(97)	(153)	(2,688)
Net book value					
At 31 December 2010	223	35	21	3	282
At 31 December 2011	493	36	18	1	548
At 31 December 2012	536	308	73	53	970

Depreciation of US$335,000 (2011: US$155,000) has been charged in administrative expenses and US$nil (2011: US$nil) in cost of sales in the income statement.

9 Intangible assets

	Goodwill US$'000	Riposte TrEx development US$'000	Riposte development US$'000	Total US$'000
Cost				
At 31 December 2010	31,260	1,021	-	32,281
Additions	-	1,421	786	2,207
Exchange differences	(133)	-	-	(133)

At 31 December 2011	31,127	2,442	786	34,355
At 31 December 2011	31,127	2,442	786	34,355
Additions	-	1,112	1,550	2,662
Exchange differences	(257)	6	10	(241)
At 31 December 2012	30,870	3,560	2,346	36,776
Accumulated amortisation				
At 31 December 2010	-	(34)	-	(34)
Charge for the year	-	(358)	-	(358)
At 31 December 2011	-	(392)	-	(392)
At 31 December 2011	-	(392)	-	(392)
Charge for the year	-	(638)	(41)	(679)
At 31 December 2012	-	(1,030)	(41)	(1,071)
Net book value				
At 31 December 2010	31,260	987	-	32,247
At 31 December 2011	31,127	2,050	786	33,963
At 31 December 2012	30,870	2,530	2,305	35,705

During 2012 there was US$2.7m of costs capitalised for intangible assets. US$1.1m of this related to the ongoing development of the Riposte TrEx product. US$1.6m was capitalised for development of new Riposte products. The intangible assets classified as COTS and other intangibles in the prior year have been amalgamated into the Riposte Development classification in the current year.

Amortisation of US$ 679,000 (2011: US$358,000) on Riposte TrEx and Riposte Development is included in cost of sales in the income statement. With the exception of TrEx and two of the Riposte products, these products are still in the development phase and no amortisation has occurred. The average remaining amortisation period of the TrEx development is 44 months (2011: 50 months). In the year there was US$1.5m (2011: US$1.9m) of research and development expenditure recognised as an expense in the income statement as the state of completion was not viewed as being sufficiently developed to warrant capitalisation.

10 Trade and other receivables

	2012 US$'000	2011 US$'000
Non Current		
Accrued income	916	-
Current		
Trade receivables	4,062	2,374
Less provision for impaired receivables	(233)	(192)
Trade receivable - net	3,829	2,182
Accrued income	2,895	2,798
Prepayments	437	369
Other receivables	169	219
Recoverable taxes	285	82
	7,615	5,650

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.

(a) The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2012 US$'000	2011 US$'000
US dollar	2,586	632
Sterling	100	-
Euro	1,143	1,550
Current and non current	3,829	2,182

As at 31 December 2012, at a Group level, trade receivables with a nominal value of US$233,000 were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	US$'000
At 1 January 2011	-
Charge for the year	192
At 31 December 2011	192

At 1 January 2012	192
Charge for the year	41
At 31 December 2012	233

Ageing of trade receivables

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

	2012 US$'000	2011 US$'000
Neither impaired nor past due	2,593	727
Less than 30 days	470	1,267
Between 31-60 days	546	138
More than 90 days	220	50
Impaired	233	192
Total	4,062	2,374

As of 31 December 2012, trade receivables of US$2,593,000 (2011: US$727,000) were fully performing.

As of 31 December 2012, trade receivables of US$1,236,000 (2011: US$1,647,000) 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 2012, trade receivables of US$233,000 (2011: US$192,000) were impaired. The individually impaired receivables mainly relate to two customers.

(b) The majority of the Group's customers, primarily representing post offices operate within the postal service industry. As at 31 December 2012, a significant portion of the trade receivables of the Group related to 4 customers (2011: 2 customers) as follows:

	2012 %	2011 %
Customer A	19%	0%
Customer B	12%	2%
Customer C	8%	33%
Customer D	8%	10%

(c) Amounts owed by Group undertakings are interest free, unsecured and are repayable on demand. The Board have reviewed these amounts for impairment. Following this review, no provision for impairment was deemed necessary.

11 Cash and cash equivalents

	2012 US$'000	2011 US$'000
Cash at banks and in hand	7,828	3,439

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 maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents noted above.

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 2012 these exposures were as follows:

	2012 US$'000	2011 US$'000
Non-US$ denominated cash balances		
Euro	939	766
Sterling	16	14
Singapore dollar	64	62
South African Rand	14	62
Total non US$	1,033	904

12 Trade and other payables

	2012 US$'000	2011 US$'000
Current		
Trade payables	927	746
Income tax deducted under PAYE	-	339
Other creditors and accruals	1,662	1,095
Deferred revenue	5,103	3,571
	7,692	5,751

The fair values of trade and other trade payables approximate to the values shown above.

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2012 US$'000	2011 US$'000
US$	396	350
Euro	438	282
GBP	42	69
Other	51	45
	927	746

13 Borrowings

	Book value 2012 US$'000	2011 US$'000	Fair value 2012 US$'000	2011 US$'000
Non-current liabilities				
Bank loans	6,683	-	6,620	-
Deferred Financing	(273)	-	(271)	-
Borrowings	6,410	-	6,349	-
Current liabilities				
Bank loans	3,342	8,424	3,342	8,424
Deferred Financing	(173)	-	(173)	-
Debentures	-	3,324	-	3,324
Borrowings	3,169	11,748	3,169	11,748
Total borrowings	9,579	11,748	9,518	11,748

On 5 January 2012, the Group refinanced its existing debt with IBRC and Bacchantes Ltd; through a new facility from Bank of Ireland. The new facility consisted of a US$9.7m term loan and a revolving 12 month facility for US$1.8m. During 2012 the Group made two capital repayments totalling $2.5m reducing this term loan. On 14 December 2012, the Group amended the facilities agreement with Bank of Ireland increasing the $9.7m term loan by $2.75m. The amended term loan is amortising to 31 July 2015.

The debenture from Bacchantes Limited above attracted interest of 5.1% per annum. The debenture was repaid in full on 5 January 2012 as part of the Group refinancing.

Deferred financing costs in relation to both Bank of Ireland refinancing have been incorporated into the fair value of the borrowings. They are being amortised in line with the remaining period of the term loans.

Fair values
The fair values of borrowings are based on discounted cash flows where the discount rate reflects the risks inherent in each type of borrowing. The carrying amounts of current liabilities are deemed to approximate their fair value.

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
Group					
Bank loans	3,342	3,342	3,341	-	10,025
Deferred Financing Costs	(173)	(173)	(100)	-	(446)
Borrowings at 31 December 2012	3,169	3,169	3,241	-	9,579
Group					
Bank loans	8,424	-	-	-	8,424
Debentures	3,324	-	-	-	3,324
Borrowings at 31 December 2011	11,748	-	-	-	11,748

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

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

14 Cash generated from operations

	2012 US$'000	2011 US$'000
Profit before tax	4,386	1,147
Adjustments for		
Depreciation	335	155

Amortisation of intangible assets	679	358
Amortisation of deferred financing	134	-
Loss on disposal of tangible assets	2	-
Finance income	(1)	(5)
Finance costs	397	1,474
Employee share based payments	444	-
Effect of foreign exchange	186	(177)
Movement in derivatives	-	(122)
Exceptional costs	-	828
Changes in working capital		
Increase in trade and other receivables	(2,878)	(60)
Increase/ (decrease) in trade and other payables	1,889	(616)
Cash generated from operations	5,573	2,982

15 Share capital and premium

	Number of Ordinary shares	Ordinary shares US$'000	Number of B ordinary shares	Ordinary shares US$'000	Total US$'000
Authorised share capital - group					
Equity share capital					
At 1 January 2011					
A ordinary shares of €0.10 each	10,000,000	1,388	-	-	1,388
B convertible ordinary shares of €0.10 each	-	-	1,000,000	136	136
Re-designation of A ordinary shares into ordinary shares of €0.005 each	200,000,000	1,388	-	-	1,388
B convertible ordinary shares of €0.005 each	-	-	20,000,000	136	136
Re-designation of B shares as ordinary shares	428,000	3	(428,000)	(3)	-
Remainder of B shares cancelled	-	-	(19,572,000)	(133)	(133)
Increase in authorised share capital	572,000	4	-	-	4
At 31 December 2011	201,000,000	1,395	-	-	1,395
At 1 January 2012					
A ordinary shares of €0.005 each	201,000,000	1,395	-	-	1,395
At 31 December 2012	201,000,000	1,395	-	-	1,395

Issued share capital	Number of shares	Equity share capital US$'000	Share premium US$'000	Total US$'000
Ordinary share capital				
At 1 January 2011	94,650	13	-	13
Bonus issue of shares	283,950	40	-	40
Split of share capital	7,193,400	-	-	-
Re-designation of B shares as ordinary share capital	428,000	-	-	-
Share based payments (note 16)	195,315	1	-	1
Shares issued in debt for equity swap on IPO	195,315	1	599	600
Issued on IPO	8,642,467	63	20,285	20,348
At 31 December 2011	17,033,097	118	20,884	21,002
Shares issued during the year	1,599,999	10	6,015	6,025
At 31 December 2012	18,633,096	128	26,899	27,027

On 25 April 2012, 1.6 million shares were issued in a share placing on AIM. This raised US$10,000 in share capital and US$6.3m in share premium, against which US$0.3m of directly attributable costs have been netted against this amount.

16 Share-based payments

During the year, the Group introduced a share option scheme whereby share options were granted to directors and to selected employees. The exercise price of the granted options was set at €0.005. 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 is January 2013.

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

	2012		2011	
	Average exercise price in $ per share option	Options (thousands)	Average exercise price in $ per share option	Options (thousands)
At 1 January	-	-	-	-
Granted	0.007	317,071	-	-
Forfeited	0.007	(7,000)	-	-
At 31 December	0.007	310,071	-	-

Out of the 310,071 outstanding options (2011: nil options), nil options (2011: nil) were exercisable.

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 $ per share options	Share options (thousands) 2012	Share options (thousands) 2011
2012-15	2013	0.007	103,357	-
	2014	0.007	103,357	-
	2015	0.007	103,357	-
			310,071	-

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was $3.42 per option (2011: $nil). The significant inputs into the model were weighted average share price of $3.43 (2011: $nil) at the grant date, exercise price shown above, dividend yield of 0% (2011: nil%), an expected option life of three years (2011: nil years) and an annual risk-free interest rate of 4.25% (2011 nil%). See note 7 for the total expense recognised in the income statement for share options granted to directors and employees.

17 Reserves

	Cumulative foreign translation reserve US$'000	Share based payments US$'000	Total US$'000
At 1 January 2011	(81)	425	344
Movement in the year	(366)	-	(366)
Share based payments	-	539	539
At 31 December 2011	(447)	964	517
At 1 January 2012	(447)	964	517
Movement in the year	(52)	-	(52)
Share based payments	-	415	415
At 31 December 2012	(499)	1,379	880

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries where the functional currency is not US$.

The increase in the share based reserve in 2012 relates to share options issued in lieu of services received, from certain directors and employees (see note 16). The increase in the prior year relates to shares issued in part consideration of certain IPO expenses.

18 Commitments and guarantees

(a) Commitments

(i) Operating leases

The Group leases offices in Dublin, Boston, Washington, Singapore and South Africa under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The leases do not contain any escalation clauses or terms pertaining to contingent rent.

Lease rentals in respect of these offices, amounting to US$0.7m (2011: US$0.4m) are included in the income statement.

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 US$'000	2011 US$'000
Land and buildings		
Within one year	633	405
Between two and five years	1,741	441
Over five years	324	-
	2,698	846

(ii) Capital commitments
The Group had no capital commitments at 31 December 2012 (2011: US$ nil).

b) Guarantees

The guarantees were released following the refinancing of the company in January 2012 (see note 25 for further details).

19 Earnings per share

Basic 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 earnings per share computations.

On 25 April 2012, 1,599,999 new shares were issued as part of a share placing on AIM.

	2012 US$'000	Before exceptional items 2011 US$'000	After exceptional items 2011 US$'000
Profit attributable to equity holders of the parent	2,999	1,431	603
	Number	Number	Number
Basic weighted average number of shares	18,126,430	11,311,633	11,311,633
Dilutive potential ordinary shares:			
Convertible ordinary shares	310,071	-	-
Diluted weighted average number of shares	18,436,501	11,311,633	11,311,633
Basic earnings per share (in US$ cent per share)	16.5	12.7	5.3
Diluted earnings per share (in US$ cent per share)	16.3	12.7	5.3

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