NETALOGUE TECHNOLOGIES PLC

ANNUAL REPORT
FOR THE YEAR ENDED
31 MARCH 2014

NETALOGUE TECHNOLOGIES PLC

Annual report
for the year ended 31 March 2014

Directors and advisers

Directors

G Henderson (Chairman)
P J Shepherd
R J Condon
A Robathan
C Williams

Company secretary and registered office

MSP Secretaries Ltd
27/28 Eastcastle Street
London
W1W 8DH

Corporate adviser

Beavis Morgan LLP
82 St John Street
London
EC1M 4JN

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Llys Tawe
Kings Road
SA1 Swansea Waterfront
SWANSEA
SA1 8PG

Solicitors

Edwin Coe
2 Stone Buildings
Lincoln’s Inn
London
WC2A 3TH

Bankers

HSBC Bank plc
Unit 4
Axis Court
Mallard Way
Riverside Business Park
Swansea
SA7 0AJ

Registrars

Share Registrars Limited
Craven House
West Street
Farnham
Surrey
GU9 7EN

Chairman's Statement

Dear Shareholder,

In my first half statement I highlighted how the Company has grown sales of the Netalogue B2B Ecommerce Platform both directly and indirectly, via VAR partnerships.

The year has been a transformational one as we continued to invest in the platform, implement our largest ever contract, win new direct clients, recruit new VAR (Value-Added Reseller) partners and continue our strategically important exit from the hosting business. Our VAR channel partnerships are focussed on the SAP and Sage ERP sectors. Sales have grown and the year-end was marked with a number of wins which will contribute both financially and strategically to the current financial year.

Key highlights

- GBP 950,000 sales, an increase in revenue of 16% compared with the prior year.
- EBITDA has increased by £27,000 to £88,000.
- New business signed in diverse sectors including office products wholesaling, automotive, pharmaceuticals, catering, electronics, safety products, electrical lighting and leisure distribution.
- Partnerships with leading distributors of SAP and Sage products are delivering growth and future opportunities.
- GBP 133,000 capitalised investment in respect of up front developments related to a large five year project worth over GBP 2,000,000.
- Investment in Netalogue B2B Ecommerce Platform in areas including B2B customer self-service and mobile ecommerce.
- Costs grew as we increased head count and invested in VAR partner growth programmes.
- Net assets of GBP 619,000 with strong cash balances and no borrowings.

Comments on the results

Sales have increased by 16% notwithstanding a single-quarter delay with a key project co-incident with the company's strategic exit from its hosting business which has improved gross margins but affected revenues. Sales revenues via reseller channels have continued to establish themselves and the company has invested significant effort setting up infrastructure with which to support these relationships which we believe will deliver scalable growth and success for both Netalogue and the VAR partners for the years to come.

Throughout the year the company also won business across a wide range of industry sectors, further demonstrating the wide application of the Netalogue B2B Ecommerce Platform. Key IP investments enable business suppliers to integrate directly with the purchasing systems used by their largest blue chip customers and Netalogue's B2B online "self-service" features provide organisations with the ability to offer their customers convenient online access to their real-time order histories, copy invoices, statements and bill payments.

Developments

A major project with European office products wholesaler Spicers went live during the period, further demonstrating Netalogue's capabilities to fit the requirements of complex B2B organisations who have large scale enterprise requirements to deliver hundreds of B2B ecommerce web stores and portals as a private cloud solution. Netalogue capitalised GBP 133,000 in up-front set-up costs for this project.

Our key development emphasis in the current financial year will relate predominantly to the SAP and high end Sage markets. Our technical ability in achieving deepest integration with Sage X3 ERP we believe will be particularly important this year, as Sage markets and grows this product globally.

Chairman's Statement (continued)

Principal risks and uncertainties

The principal risks that the group faces are those faced by business generally, a still uncertain economic outlook despite some positive indications.

The directors consider however, that the group's software IP value and growth potential will increase alongside the growing global recognition that B2B ecommerce is markedly different in complexity to more generic ecommerce requirements, and that the world-wide shift to on-line offers the group an ever-increasing pool of opportunity.

The outlook

The economic climate, whilst still hesitant in some sectors and lengthening some decision cycles, has not discouraged our clients' investments in key strategies, of which ecommerce is a major one. Our investment in the VAR channel is paying off and these alliances have opened up the opportunity for our partners' clients to benefit from our world-beating IP.
I look forward to updating you in due course.

Geoff Henderson
Chairman
Netalogue Technologies plc
www.netalogue.com
Netalogue B2B Ecommerce Software

Directors' report for the year ended 31 March 2014

The directors present their report and audited consolidated financial statements for the year ended 31 March 2014.

Principal activity

The company's share capital is listed on the ISDX Growth Market.

The principal activity of the group is the development, sale and support of an advanced B2B ecommerce software platform. The Netalogue B2B Ecommerce Platform is utilised by successful manufacturers, distributors and wholesalers who require specialist B2B ecommerce web stores and portals to conduct end-to-end business online. Netalogue licenses its B2B E-commerce Platform IP both directly to end-user companies and also indirectly via VAR partnerships operating in ERP and cloud computing industries. Netalogue fully integrates with leading ERP systems including SAP and enterprise Sage products.

Significant events, review of business and future developments

The consolidated profit and loss account is set out on page 10.

The directors remain of the opinion that the existing cost base can support increases in activity and that future growth in turnover will enable the company to grow its profitability.

The directors of the company are satisfied with the financial position of the company and the group at 31 March 2014. Full commentary on the results for the year and future prospects are set out in the Chairman's statement on pages 2 and 3. The directors believe that the business's key performance indicators are financial ones and are included within the financial statements, specifically sales growth, operating profit, EBITDA (operating profit before depreciation, and amortisation) and the level of net assets.

Financial risk management

The group's operations expose it to a variety of financial risks that include credit and liquidity risk.

Credit risk

Credit risk arises from cash and cash equivalents and trade debtors. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. If customers are independently rated, these ratings are used. If there is no independent rating, the directors assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Trade debtors are then continually monitored to ensure that they are settled to the agreed credit terms.

Liquidity risks

Liquidity risk is managed through the close management of cash resources. The group has no borrowings as at 31 March 2014.

Given the size of the group, the directors have not delegated the responsibility of monitoring the financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's executive directors.

Research and development

The group undertakes research and development activities to ensure that its products remain competitive in the market place.

Directors' report for the year ended 31 March 2014 (continued)

Directors

The directors of the company at 31 March 2014 and for the whole of the year then ended (unless otherwise noted) and their interests in the shares of the company are as follows:

	Ordinary shares of 1p each At 31 March 2014	Ordinary shares of 1p each At 31 March 2013
R J Condon	8,153,167	8,153,167
A Robathan	8,153,167	8,153,167
C Williams	8,153,167	8,153,167
G Henderson	520,266	520,266
P J Shepherd	46,499	46,499

No director has any interest in shares in the company other than as shown above and in the share options detailed below. None of the directors has or has had a beneficial interest in the subsidiary company since it was acquired in January 2001. Other than the details of the service agreements set out in note 7 to the financial statements, there were no significant contracts in place during or at the end of the financial year with the company or its subsidiary company in which any director is or was materially interested.

Share options

Directors' interests in share options over ordinary shares of 1p each at 31 March 2014 were as follows:

	Held at 31 March 2014	**Exercise price**	**Date from which exercisable**
R J Condon	**960,000**	2.25p	25 August 2009
A Robathan	**960,000**	2.25p	25 August 2009
C Williams	**960,000**	2.25p	25 August 2009
	2,880,000		

Substantial interests

The substantial interests of over 3% in ordinary shares of the company at 31 March 2014 are as follows:

	%
R J Condon	16.73 %
A Robathan	16.73 %
C Williams	16.73 %
HSDL Nominees Limited	5.6 %
J Greenhalgh	4.7 %
J Rowland	3.2 %

Directors' report for the year ended 31 March 2014 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance

The directors continue to give careful consideration to the principles of Corporate Governance, as set out in the Combined Code issued by the UK Listing Authority, which sets out Principles of Good Corporate Governance. Although as a Plus Markets listed company, compliance with the Combined Code is not required, the group seeks to apply the spirit of the Combined Code where practical and appropriate for a company the size of Netalogue Technologies plc. A narrative statement is set out below on how the company has applied the Principles of the Code.

The board currently comprises a non-executive Chairman, three executive directors and a further non-executive director. The non executive directors bring an independent judgement to the group. The roles of Chairman and Chief Executive have been split. The board has two non-executive directors and Mr G Henderson is recognised as the non-executive Chairman.

The board meets on a regular basis and is responsible for overall group strategy, acquisition and divestment policy, approval of capital expenditure projects and consideration of significant financial matters. The board consider there is an agreed understanding of matters reserved for board decisions, although no formal written schedule has been prepared. The Chairman ensures all directors are properly briefed on issues arising at board meetings.

The board has developed a formal set of procedures to identify the key risks and the systems of internal control operating across its various activities.

All of the directors will submit themselves for re-election at least once every three years and new directors will submit themselves for re-election at the earliest opportunity following their appointment.

Directors' report for the year ended 31 March 2014 (continued)

The size of the company and the group is such that individual committees covering audit, remuneration and nominations have not been established. All issues relating to the remuneration of executive directors are considered independently by the non-executive directors. Given the size of the company and the group, the members of the board agree that the appointment of two non-executive directors is appropriate. There is frequent communication between the auditors and the non-executive directors.

All the directors have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are followed and compliance with applicable rules and regulations. If necessary, independent professional advice can be sought by all the directors of the company, at the expense of the company. The company encourages two way communication with both its institutional and private investors and responds to all queries received, verbally or in writing.

The directors are responsible for the group's system of internal financial control. The systems in place provide reasonable but not absolute assurances against material misstatement or loss. The group prepares quarterly management accounts for submission to the board. The group prepares annual budgets which are reviewed and reassessed during the financial year. The directors have formed a judgement, at the time of approving the financial statements, that it is appropriate to adopt the going concern basis in preparing the financial statements.

Employees

It is the policy of the group to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for the appropriate training, career development and promotion of disabled employees. Regular meetings are held with employees to discuss the performance of the group as a whole and the progress of the business in which they work. Financial and economic factors that affect performance are dealt with in this context.

Payment policy in respect of creditors

The group's policy in relation to the payment of its suppliers is to settle its terms of payment with each supplier when agreeing the terms of each business transaction. The supplier is made aware of the terms, which are detailed on the group's purchase orders. It is the group's practice to abide by the agreed terms of payment. At 31 March 2014 there were 62 days (2013: 62 days) of purchases in trade creditors of the group.

Provision of information to auditors

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken appropriate steps to ensure that they are aware of such relevant information, and that the company's auditors are aware of that information.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

By order of the board

R J CONDON
Director
4 July 2014

Independent auditors' report to the members of Netalogue Technologies PLC

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2014 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Netalogue Technologies PLC, comprise:

- Consolidated balance sheet as at 31 March 2014;
- Consolidated profit and loss account for the year then ended;
- Consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Mark Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Swansea
4 July 2014

Registered no: 4137677

Consolidated profit and loss account for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Turnover	2	**950**	817
Cost of sales		**(60)**	(97)
Gross profit		**890**	720
Administrative expenses	3	**(861)**	(695)
Operating profit before depreciation and amortisation		**88**	61
Depreciation of tangible assets		**(14)**	(18)
Amortisation of intangible assets		**(45)**	(18)
Operating profit	4	**29**	25
Interest payable and similar charges	5	**(1)**	(2)
Profit on ordinary activities before taxation		**28**	23
Tax on profit on ordinary activities	8	**(5)**	(6)
Profit for the financial year	19,20	**23**	17
Profit per ordinary share expressed in pence per share - basic	6	**0.047**	0.035
Profit per ordinary share expressed in pence per share - diluted	6	**0.044**	0.033

There were no recognised gains or losses in the financial year other than those disclosed above.

There are no material differences between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

The turnover and profit for the financial year have been derived from the continuing activities of the group.

NETALOGUE TECHNOLOGIES PLC

Registered no: 4137677

Consolidated balance sheet
at 31 March 2014

	Notes	2014	2013
		£000	£000
Fixed assets			
Intangible	10	**232**	144
Tangible	11	**42**	51
		274	195
Current assets			
Debtors	13	**234**	323
Cash at bank and in hand		**288**	304
		522	627
Creditors: amounts falling due within one year	14	**(170)**	(218)
Net current assets		**352**	409
Total assets less current liabilities		**626**	604
Creditors: amounts falling due after more than one year	15	**-**	(3)
Provisions for liabilities and charges	16	**(7)**	(5)
Net assets		**619**	596
Capital and reserves			
Called up share capital	18	**487**	487
Share premium account	19	**210**	210
Profit and loss account	19	**(78)**	(101)
Total shareholders' funds	20	**619**	596

The financial statements on pages 10 to 23 were approved by the board of directors on 4 July 2014 and were signed on its behalf by:

R J CONDON
Director

NETALOGUE TECHNOLOGIES PLC

Registered no: 4137677

Company balance sheet
at 31 March 2014

	Notes	2014	2013
		£000	£000
Fixed assets			
Investments	12	**737**	711
Current assets			
Debtors	13	**52**	52
Cash at bank and in hand		**10**	10
		62	62
Creditors: amounts falling due within one year	14	**(16)**	(16)
Net current assets		**46**	46
Total assets less current liabilities and net assets		**783**	757
Capital and reserves			
Called up share capital	18	**487**	487
Share premium account	19	**210**	210
Profit and loss account	19	**86**	60
Total shareholders' funds	20	**783**	757

The financial statements on pages 10 to 23 were approved by the board of directors on 4 July 2014 and were signed on its behalf by:

R J CONDON
Director

Registered no: 4137677

Consolidated cash flow statement for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	21	**129**	225
Returns on investments and servicing of finance			
Interest paid		**(1)**	(2)
Net cash outflow from returns on investments and servicing of finance		**(1)**	(2)
Taxation			
UK corporation tax paid		**(6)**	(32)
Capital expenditure and financial investment			
Capitalisation of development costs		**(133)**	(120)
Purchase of tangible fixed assets		**(5)**	(11)
Net cash outflow from capital expenditure and financial investment		**(138)**	(131)
Equity dividends paid to shareholders		**-**	(60)
Total movement in cash in the year	22	**(16)**	-

Notes to the financial statements for the year ended 31 March 2014

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, on the going concern basis and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. A summary of the material accounting policies, which have been consistently applied, are set out below.

Basis of consolidation

The consolidated financial statements include the company and its subsidiary companies. Inter-company sales and profits are eliminated on consolidation. The financial statements of the subsidiary companies are made up to 31 March 2014. Consistent accounting policies are used by all companies in the group.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of the sale of B2B ecommerce software solutions and support services. Turnover on sales of software products is recognised on the delivery and acceptance of the systems. Turnover on software support is recognised over the period in which the support is available to the customer.

Software development costs

The costs of software development are capitalised and amortised over the period over which economic benefit is expected to be derived from the software. This period is considered to be 3 years.

Fixed asset investments

Fixed asset investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Tangible fixed assets

Tangible fixed assets are included at their purchase cost, together with any incidental expenses of acquisition.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets on a reducing balance basis over the expected useful economic lives of the assets concerned. Plant and machinery and computer software is depreciated at the rate of 25% per annum.

Goodwill and amortisation

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Goodwill is amortised on a straight line basis over its estimated useful economic life. The estimated useful economic life is calculated having regard to the period over which the Group expects to derive economic benefits from the assets. The directors consider the estimated useful economic life of the purchased goodwill to be 10 years.

Notes to the financial statements for the year ended 31 March 2014 (continued)

1 Accounting policies (continued)

Licences and trademarks

Licences and trademarks are capitalised at their purchased cost, together with any incidental costs of acquisition. They are amortised on a straight line basis over their estimated useful economic life. The directors consider the estimated useful life of the licences and trademarks to be 3 years.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

Deferred taxation

Provision for deferred taxation is made in respect of all material timing differences that have originated but not reversed by the balance sheet date. Timing differences represent differences between gains and losses recognised for tax purposes in periods different from those in which they are recognised in the financial statements. No deferred tax is recognised on permanent differences between the company's taxable gains and losses and its results as stated in the financial statements. Deferred tax assets and liabilities are included without discounting. No deferred tax assets are recognised at the end of the financial year since their recoverability is uncertain.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group and company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Share-based incentives

In accordance with FRS20, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model. Further details are set out in note 7.

2 Turnover

The turnover arose from the principal activity of the subsidiary companies and arose entirely within the United Kingdom. As a result no segmental reporting disclosures are required in the financial statements.

3 Administrative expenses

	2014	2013
	£000	£000
Administrative expenses	**861**	695

Notes to the financial statements for the year ended 31 March 2014 (continued)

4 Operating profit

Operating profit is stated after charging:

	2014 £000	2013 £000
Directors' remuneration (see note 7)	**221**	198
Amortisation of intangible fixed assets	**45**	18
Depreciation of tangible fixed assets	**14**	18
Operating lease charges - property rentals	**15**	15
- Motor vehicles	**6**	6

	2014 £000	2013 £000
Fees payable to company auditors for the audit of the parent company and consolidated accounts	**2**	2
Non-audit services		
Fees payable to the company's auditors for other services		
The audit of the company's subsidiaries	**12**	11
Tax services	**3**	3
	17	16

5 Interest payable and similar charges

	2014 £000	2013 £000
Interest payable and similar charges		
Interest on finance leases	**1**	2

6 Profit per ordinary share

The profit per ordinary share is calculated by reference to the profit of £23,000 (2013: £17,000) attributable to ordinary shareholders. This calculation was based on a weighted average number of ordinary shares in issue during the financial period of 48,746,333 (2013: 48,746,333). The impact of potential dilution is considered below:

	2014 £000	2013 £000
Profit attributable to equity holders	**23**	17

	Number	Number
Basic weighted average number of shares	**48,746,333**	48,746,333
Number of potential ordinary shares (under share options)	**3,175,390**	3,175,390
Diluted weighted average number of shares	**51,921,723**	51,921,723

	Pence	Pence
Basic earnings per share	**0.047**	0.035
Diluted earnings per share	**0.044**	0.033

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

7 Staff costs

The average monthly number of employees (including executive directors) employed by the group during the year was:

	2014 Number	2013 Number
Management and administration	**18**	18

	£000	£000
Staff costs (for the above persons)		
Wages and salaries	**559**	503
Social security costs	**59**	51
	618	554

Directors' emoluments

The total remuneration (salaries, fees and other taxable benefits paid on behalf of directors) was £221,000 (2013: £198,000). Each director's remuneration was as follows:

Year ended 31 March 2014	**£000**
G Henderson (Chairman)	**10**
P J Shepherd	**13**
R J Condon	**66**
A Robathan	**66**
C Williams	**66**
	221

Year ended 31 March 2013	£000
G Henderson (Chairman)	10
P J Shepherd	8
R J Condon	60
A Robathan	60
C Williams	60
	198

Included in the amounts above is £6,000 paid to a related company on behalf of P J Shepherd.

No pension contributions are made on behalf of the directors or other employees of the company and the subsidiary company.

Messrs Condon, Robathan and Williams each have a service agreement with the company, terminable either by the company or by an individual director by 6 months notice. Henderson and Shepherd have service agreements with the company, terminable either by the company or by the director with 3 months notice. The service agreements are available for inspection by shareholders at the company's registered office.

The group's equity-settled share-based payments comprise "The Netalogue Technologies plc Employee Share Option Plan 2006". This scheme was commenced during the year ended 31 March 2007. The options granted to date have primarily been granted to certain directors, as noted in the directors' report. Those options have been valued using a Black-Scholes model utilising the following key factors, and an assumed 100% retention rate:

Share price at grant	2.25p – 2.625p
Exercise price	2.25p – 2.625p
Volatility	17% - 36%
Risk free rate	4.5% - 5%
Dividend yield	-
Option life:	
Directors	Unlimited
Others	10 years
Value per option	0.1p – 0.4p

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

The fair value of the options has been fully charged in the results of previous periods.

7 Staff costs (continued)

A reconciliation of option movements is set out below:

	2014 Number	2013 Number
Outstanding at 1 April	**3,175,390**	3,175,390
Granted	**-**	-
Outstanding at 31 March	**3,175,390**	3,175,390

The exercise price of the options is as follows:

Issued in 2008/09	2.625p
Issued in 2007/08	2.625p
Issued in 2006/07	2.250p

8 Tax on profit on ordinary activities

	2014 £000	2013 £000
Current tax		
UK corporation tax on profit for the year	**8**	11
Adjustment in respect of previous periods	**(5)**	-
	3	11
Deferred tax		
Origination and reversal of timing differences	**2**	(5)
	5	6

The tax for the year differs to the corporation tax rate applying in the UK (20%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	**28**	23
Profit on ordinary activities before taxation, multiplied by the tax rate of 20% (2013: 20%) in the United Kingdom	**6**	5
Accelerated capital allowances and other timing differences	**2**	6
Adjustment in respect of previous year	**(5)**	-
Total current tax	**3**	11

9 Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the company's profit and loss account has not been included in these financial statements. The consolidated profit for the financial year can be analysed as follows:

	2014 £000	2013 £000
Profit attributable to parent company	**26**	24
Loss attributable to subsidiary companies	**(3)**	(7)
Consolidated profit	**23**	17

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

10 Intangible fixed assets

Group	Goodwill £000	Licences and trademarks £000	Software development costs £000	Total £000
Cost				
At 1 April 2013	257	28	170	455
Additions	-	-	133	133
At 31 March 2014	**257**	**28**	**303**	**588**
Accumulated amortisation				
At 1 April 2013	257	28	26	311
Charge for the year	-	-	45	45
At 31 March 2014	**257**	**28**	**71**	**356**
Net book amount				
At 31 March 2014	**-**	**-**	**232**	**232**
At 31 March 2013	-	-	144	144

Goodwill arises on the acquisition of the group's interest in Netalogue Procurement Limited in 2001.

11 Tangible fixed assets

	Software development costs £000	Plant and machinery £000	Total £000
Cost			
At 1 April 2013	57	139	196
Additions	-	5	5
At 31 March 2014	**57**	**144**	**201**
Accumulated depreciation			
At 1 April 2013	44	101	145
Charge for the year	3	11	14
At 31 March 2014	**47**	**112**	**159**
Net book amount			
At 31 March 2014	**10**	**32**	**42**
At 31 March 2013	13	38	51

Included in tangible fixed assets are assets held under finance leases with a net book value of £17,000 (2013: £9,000). Depreciation of £2,000 (2013: £4,000) has been charged on the assets.

12 Fixed asset investments

Company	2014 £000	2013 £000
Shares in subsidiaries – see below	**254**	254
Loans to subsidiaries	**483**	457
	737	711

The loans due from the subsidiary do not bear interest and are not due within one year of the balance sheet date.

Company	£000
Shares in group undertakings	
Cost	
At 1 April 2013 and at 31 March 2014	**254**

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements
for the year ended 31 March 2014 (continued)

12 Fixed asset investments (continued)

The subsidiary undertakings operate in the United Kingdom and have been included in the consolidated financial statements through acquisition accounting.

Details of the subsidiary undertakings which are consolidated are set out below:

Name of undertaking	**Country of incorporation and registration**	**Description of shares held**	**Proportion of voting rights and nominal value of issued shares held**
Netalogue Procurement Limited	England and Wales	Ordinary £1 each	100%
Procure Sure Limited	England and Wales	Ordinary £1 each	80%

The principal activity of Netalogue Procurement Limited is the sale, marketing and maintenance of “e” procurement systems. Procure Sure Limited is currently dormant.

13 Debtors

	Group 2014 £000	**Company 2014 £000**	Group 2013 £000	Company 2013 £000
Amounts falling due within one year:				
Trade debtors	**225**	**-**	319	-
Prepayments and accrued income	**9**	**-**	4	-
Amounts owed by subsidiary company (see below)	**-**	**52**	-	52
	234	**52**	323	52

The amounts owed by the subsidiary companies are unsecured, interest free and have no fixed terms for their repayment.

14 Creditors: amounts falling due within one year

	Group 2014 £000	**Company 2014 £000**	Group 2013 £000	Company 2013 £000
Amounts due under finance leases	**3**	**-**	5	-
Trade creditors	**15**	**9**	62	9
Corporation tax	**8**	**7**	11	7
Other taxation and social security	**38**	**-**	56	-
Accruals and deferred income	**106**	**-**	84	-
	170	**16**	218	16

15 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Amounts due under finance leases (see below)	**-**	3

Amounts due under finance leases

The amounts due under finance leases are repayable as follows:

	2014 £000	2013 £000
Within one year	**3**	5
In one to two years	**-**	3
	3	8

Notes to the financial statements for the year ended 31 March 2014 (continued)

16 Provision for liabilities and charges

	Group Deferred Taxation £000
At 1 April 2013	5
Profit and loss account charge	2
At 31 March 2014	**7**

Details of deferred taxation are set out below:

Group

	Cumulative provided		**Cumulative unrecognised**	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Accelerated capital allowances	**7**	5	**-**	-
	7	5	**-**	-
Company				
Losses	**-**	-	**-**	-

17 Financial instruments

Financial assets

The group's financial assets consist of its short term debtors and its cash at bank and in hand.

Financial liabilities

The group's financial liabilities consist of its short term creditors.

The group has not used any derivatives during the financial year.

All financial instruments are recorded at historic cost and are denominated in sterling and their fair value is considered to be equal to the book value.

18 Called up share capital

Company

	2014 £000	2013 £000
Authorised		
100,000,000 (2013: 100,000,000) ordinary shares of 1p each	**1,000**	1,000
Allotted, called up and fully paid		
48,746,333 (2013: 48,746,333) ordinary shares of 1p each	**487**	487

Notes to the financial statements
for the year ended 31 March 2014 (continued)

19 Reserves

	Group and company share premium account £000	**Group profit and loss account £000**	**Company profit and loss account £000**
At 1 April 2013	210	(101)	60
Profit for the year	-	23	26
At 31 March 2014	**210**	**(78)**	**86**

20 Reconciliation of movements in equity shareholders' funds

	Group 2014 £000	**Company 2014 £000**	Group 2013 £000	Company 2013 £000
Opening equity shareholders' funds	**596**	**757**	639	793
Profit for the year	**23**	**26**	17	24
Dividend	**-**	**-**	(60)	(60)
Closing equity shareholders' funds	**619**	**783**	596	757

21 Reconciliation of operating profit to net cash inflow from operating activities

	2014 £000	2013 £000
Continuing activities		
Operating profit	**29**	25
Depreciation of tangible fixed assets	**14**	18
Amortisation of intangible fixed assets	**45**	18
Decrease in debtors	**89**	97
(Decrease) / Increase in creditors	**(48)**	67
Net cash inflow from operating activities	**129**	225

22 Analysis of net funds

	At 1 April 2013 £000	Cash flow £000	**At 31 March 2014 £000**
Cash at bank and in hand	304	(16)	**288**

Notes to the financial statements for the year ended 31 March 2014 (continued)

23 Financial commitments

At 31 March 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Expiring between one and two years	**5**	15	**1**	-
Expiring between two and five years	**-**	-	**4**	-
	5	15	**5**	-

The directors have neither contracted for nor authorised any capital expenditure which is not provided in the financial statements.

24 Related party transactions

The company has taken advantage of the exemption under FRS8 not to disclose related party transactions with its wholly owned subsidiary company, Netalogue Procurement Limited. There were no transactions undertaken with the company's 80% subsidiary, Procure Sure Limited.

25 Ultimate controlling party

The directors do not consider there to be any ultimate controlling party of the company.