NETALOGUE TECHNOLOGIES PLC

ANNUAL REPORT
FOR THE YEAR ENDED
31 MARCH 2016

NETALOGUE TECHNOLOGIES PLC

Annual report
for the year ended 31 March 2016

NETALOGUE TECHNOLOGIES PLC

Directors and advisers

Directors

G Henderson (Resigned 1 March 2016)
R J Condon
A Robathan
C Williams
N D Barley (Appointed 1 March 2016)

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
1 Kingsway
Cardiff
South Glamorgan
CF10 3PW

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

NETALOGUE TECHNOLOGIES PLC

Chairman's Statement
for the year ended 31 March 2016

Dear Shareholder,

I am delighted to present my first Chairman's report following my appointment in March 2016 and would like to recognise and thank my predecessor, Geoff Henderson, for his excellent work with Netalogue over the past 8 years, and his support ensuring a smooth transition.

Financially the company is very stable with a strong cash position, no debt and Intellectual Property that delivers profitable growth.

I write these notes, three months into the role, having had the opportunity to meet with the Netalogue team, consider the Netalogue platform and the market opportunities, and to speak with customers and partners. Later in this report, I will address the outlook for the company.

As I look back on the financial year 2016 I see a year of stability; a focus on the establishment of a fully packaged platform, the migration of existing customers to the standardised B2B Ecommerce platform, the exit from the hosting business and the previously noted Spicers contract.

Key Highlights

- GBP 1,117,000 turnover, a decrease of 19% compared with the prior year
- EBITDA has decreased by GBP 266,000 to GBP 119,000
- Continued R&D investment of GBP 113,000 in the Netalogue B2B Ecommerce Platform, delivering new advanced functionality enabling future releases
- Continued acquisition of new clients and expansion into new sectors
- Reserves of GBP 120,000 distributed as a dividend to shareholders
- Net assets of GBP 738,000 with a strong cash balance and no borrowing

Results commentary

The early termination of the Spicers agreement saw a significant negative revenue and profit implication and also diverted resource in the first half of the year. However, the adverse effect was offset by significant new customer additions including Bunzl. The company now has a healthy spread of customers resulting in a reduced reliance on the top five customers by revenue of 22%. Operating expenses were held in line with reduced revenue expectations and the company continued to maintain its investments in R&D and increased its investment in marketing.

Developments

All key clients are now utilising the standard Netalogue B2B Ecommerce Platform and consequently they are enjoying the benefits of our continuous R&D programme. This allows us to deliver a high level of support services whilst keeping our clients current with the very latest features and functionality. New customer wins are attributable to the B2B enterprise class functionality with easy expansion via drop-in modules, rapid deployment, complete ERP integration and investment in a cutting edge user interface. The group continues to refine its "go to market" strategy, further developing its reseller channel with the addition of Eden One, a fast growth SAP partner.

Principal risk and uncertainties

The principal risks to the group are those faced by all businesses in the tech sector; constant technology change, competition with well-known incumbents, migrators from adjacent markets and new start-ups with few customers, poor funding and limited functionality. The directors consider however, that the group's software IP value and growth potential will increase with the growing global recognition that B2B ecommerce is markedly different in complexity to that of more generic B2C ecommerce requirements. The worldwide shift to online offers the group and its partners an ever increasing pool of opportunity.

NETALOGUE TECHNOLOGIES PLC

Chairman's Statement
for the year ended 31 March 2016 (continued)

The Outlook

The outlook for Netalogue excites me. The Netalogue platform is functionally rich, enterprise class software for organisations that require sophisticated B2B Ecommerce web stores and portals and deep integration with the World's major ERP and CRM platforms.

The market opportunity is significant. A recent Frost & Sullivan report predicts that by 2020 the B2B ecommerce market will be twice as large at the B2C market ($6.7 trillion), as organisations attempt to drive new revenue streams and reduce costs. Indeed, Forester Research note that 58% of B2B companies have identified ecommerce platforms as an investment priority in 2016.

Most of us now purchase goods and services online as consumers – these web stores and portals are based upon easy to use but relatively unsophisticated "B2C" ecommerce engines. "B2B" ecommerce is more sophisticated and functionally more extensive. Netalogue has built an ecommerce platform based upon B2B requirements integrated with B2C ease of use and consequently is well positioned to enjoy the direction predicted by market analysts.

As a result, our client base continues to expand in 2016 with excellent 'new names' added to the Netalogue portfolio and we expect similar in 2017, despite increased marketing from B2C solution providers who have very limited B2B capabilities.

Since arriving in March I have spent a considerable amount of time with the board of directors discussing the market opportunity and our go-to-market strategy, working on enhanced marketing and branding, and developing extended routes to market and new alliances. We have developed a sound three-year business plan which maps out strategies for enhanced revenue growth and profitability. Our plans are solid and optimistic; the product is very competitive, our pricing is right. We have to continue to execute well and be operationally efficient.

The fruits of this work I hope will be seen in the 2017 financial year and I look forward to updating you in due course.

Dividend

No decision has been made at the date of this announcement to declare a dividend.

Nick Barley
Chairman
Netalogue Technologies plc
Netalogue B2B Ecommerce Software
www.netalogue.com

NETALOGUE TECHNOLOGIES PLC

Strategic report
for the year ended 31 March 2016

The directors present their strategic report of the company and the group for the year ended 31 March 2016.

Significant events, review of business and future developments

The consolidated Statement of comprehensive income 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 2016. 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.

Principal risks and uncertainties

These are considered on the Chairman's Statement on page 2. In addition financial risk management is considered below.

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 2016.

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.

On behalf of the Board

C Williams

C Williams
Director
14 July 2016

NETALOGUE TECHNOLOGIES PLC

Directors' report
for the year ended 31 March 2016

The directors present their report and audited consolidated financial statements for the year ended 31 March 2016.

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

These areas are covered in the Strategic Report.

Dividends

Dividends amounting to £120,000 were paid to shareholders in the year (2015: £nil).

Research and development

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

Directors

The directors of the company at 31 March 2016 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 2016	Ordinary shares of 1p each At 31 March 2015
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 (resigned 1 March 2016)	**520,266**	520,266
N Barley (appointed 1 March 2016)	**-**	-

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 2016 were as follows:

	Held at 31 March 2016	**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		

NETALOGUE TECHNOLOGIES PLC

Directors' report for the year ended 31 March 2016 (continued)

Substantial interests

The substantial interests of over 3% in ordinary shares of the company at 31 March 2016 are as follows:

	%
R J Condon	16.73 %
A Robathan	16.73 %
C Williams	16.73 %
Rock (Nominees) Limited	5.92 %
TD Direct Investing Nominees (Europe) Limited	5.03 %
W B Nominees Ltd	4.72 %

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 prepared the group and parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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.

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. As a company listed on the ISDX Growth Market, 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.

The board currently comprises a non-executive Chairman and three executive directors. The non-executive director brings an independent judgement to the group. The roles of Chairman and Chief Executive have been split. The board has one non-executive director, Mr N Barley who 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.

NETALOGUE TECHNOLOGIES PLC

Directors' report for the year ended 31 March 2016 (continued)

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.

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 the executive directors are considered independently by the non-executive director. Given the size of the company and the group, the members of the board agree that the appointment of a non-executive director is appropriate. There is frequent communication between the auditors and the non-executive director.

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.

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.

On behalf of the board

C. Williams

C Williams
Director
14 July 2016

NETALOGUE TECHNOLOGIES PLC

Independent auditors' report to the members of Netalogue Technologies plc

Report on the financial statements

Our opinion

In our opinion, Netalogue Technologies plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2016 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the consolidated group and company balance sheets as at 31 March 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated group and company statement of changes in equity 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and 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.

NETALOGUE TECHNOLOGIES PLC

Independent auditors' report to the members of Netalogue Technologies plc (continued)

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 International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
14 July 2016

NETALOGUE TECHNOLOGIES PLC

Registered no: 4137677

Consolidated statement of comprehensive income for the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Turnover	5	**1,117**	1,384
Cost of sales		**(81)**	(61)
Gross profit		**1,036**	1,323
Administrative expenses		**(966)**	(1,121)
Operating profit before depreciation and amortisation		**119**	385
Depreciation of tangible assets		**(9)**	(11)
Amortisation of intangible assets		**(40)**	(172)
Operating profit	6	**70**	202
Interest payable and similar charges		**-**	-
Profit on ordinary activities before taxation		**70**	202
Tax on profit on ordinary activities	8	**14**	(42)
Profit for the financial year		**84**	160
Profit per ordinary share expressed in pence per share - basic		**0.172**	0.328
Profit per ordinary share expressed in pence per share - diluted		**0.162**	0.308

	2016	2015
Total comprehensive income for the year attributable to:		
Owners of the parent company	**84**	**160**
Total comprehensive income for the year	**84**	**160**

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company Statement of comprehensive income. The profit and total comprehensive income for the year was £46,000 (2015: £54,000).

NETALOGUE TECHNOLOGIES PLC

Registered no: 4137677

Consolidated group and company balance sheets at 31 March 2016

	Note	2016 Group £000	2016 Company £000	2015 Group £000	2015 Company £000
Fixed assets					
Intangible assets	9	**133**	**-**	60	-
Tangible assets	10	**29**	**-**	34	-
Subsidiary undertakings	11	-	**540**	-	765
		162	**540**	94	765
Current assets					
Debtors	12	**348**	**68**	383	86
Cash at bank and in hand		**549**	**173**	583	10
		897	**241**	966	96
Creditors: amounts falling due within one year	13	**(313)**	**(18)**	(279)	(24)
Net current assets		**584**	**223**	687	72
Total assets less current liabilities		**746**	**763**	781	837
Provisions for liabilities	14	**(8)**	**-**	(7)	-
Net assets		**738**	**763**	774	837
Capital and reserves					
Called up share capital	15	**487**	**487**	487	487
Share Premium		**210**	**210**	210	210
Profit and loss account		**41**	**66**	77	140
Total equity		**738**	**763**	774	837

The notes on pages 15 to 25 form an integral part of the financial statements.

The financial statements on pages 10 to 25 were authorised for issue by the board of directors on 14 July 2016 and were signed on its behalf.

C Williams
Director

NETALOGUE TECHNOLOGIES PLC

Registered no: 4137677

Consolidated statement of changes in equity

For the year ended 31 March 2016

	Called up share capital	Share Premium	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance as at 1 April 2015	**487**	**210**	**77**	**774**
Profit for the financial year	**-**	**-**	**84**	**84**
Total comprehensive income for the year	**-**	**-**	**84**	**84**
Dividends	**-**	**-**	**(120)**	**(120)**
Total transactions with owners, recognised directly in equity	**-**	**-**	**(120)**	**(120)**
Balance as at 31 March 2016	**487**	**210**	**41**	**738**

For the year ended 31 March 2015

	Called up share capital	Share Premium	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance as at 1 April 2014	487	210	(83)	614
Profit for the financial year	-	-	160	160
Total comprehensive income for the year	-	-	160	160
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance as at 31 March 2015	487	210	77	774

NETALOGUE TECHNOLOGIES PLC

Company statement of changes in equity

For the year ended 31 March 2016

	Called up share capital	Share Premium	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance as at 1 April 2015	**487**	**210**	**140**	**837**
Profit for the financial year	-	-	**46**	**46**
Total comprehensive income for the year	-	-	**46**	**46**
Dividends	-	-	**(120)**	**(120)**
Total transactions with owners, recognised directly in equity	-	-	**(120)**	**(120)**
Balance as at 31 March 2016	**487**	**210**	**66**	**763**

For the year ended 31 March 2015

	Called up share capital	Share Premium	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance as at 1 April 2014	487	210	86	783
Profit for the financial year	-	-	54	54
Total comprehensive income for the year	-	-	54	54
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance as at 31 March 2015	487	210	140	837

NETALOGUE TECHNOLOGIES PLC

Registered no: 4137677

Consolidated cash flow statement for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Net cash from operating activities	16	**213**	306
Taxation paid		**(10)**	(8)
Net cash generated from operating activities		**203**	298
Cash flow from investing activities			
Purchase of intangible assets		**(113)**	-
Purchase of tangible fixed assets		**(4)**	(3)
Net cash used in investing activities		**(117)**	**(3)**
Cash flow from financing activities			
Dividends paid to shareholders		**(120)**	-
Net cash used in financing activities		**(120)**	-
Net (decrease) / increase in cash and cash equivalents		**(34)**	295
Cash and cash equivalents at the beginning of the year		**583**	288
Cash and cash equivalents at the end of the year		**549**	583
Cash and cash equivalents consists of:			
Cash at bank and in hand		**549**	583
Cash and cash equivalents		**549**	583

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

1 General Information

Netalogue Technologies plc's ("the company) and its subsidiaries' (together "the group") principal activity is the development, sale and support of an advanced B2B ecommerce software platform.

The company is a public company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 27-28 Eastcastle Street, London, W1W 8DH.

2 Statement of compliance

The group and individual financial statements of Netalogue Technologies plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS102 are disclosed in note 21..

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows.

This information is included in the consolidated financial statements of Netalogue Technologies plc as at 31 March 2016 which can be obtained from the company secretary at 27-28 Eastcastle Street, London, W1W 8DH.

Basis of consolidation

The group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial statements and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

3 Summary of significant accounting policies (continued)

Intercompany transactions and balances between group companies are eliminated on consolidation and the accounting policies of subsidiaries are changed when necessary to ensure consistency with group accounting policies.

Foreign currency

i) Functional and presentation currency

The group financial statements are presented in pound sterling.
The company's functional and presentation currency is the pound sterling.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and 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 licences and support is recognised over the period in which the licence or support is available to the customer.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

i) Short term benefits

Short term benefits, inducing holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in the equity.

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profits for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in the periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

3 Summary of significant accounting policies (continued)

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method. 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.

Intangible assets

Intangible assets relates to software development costs. The costs of software development are stated at cost less accumulated amortisation and accumulated impairment losses. This period is considered to be 3-5 years.

Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use.

i) Computer equipment

Computer equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

ii) Plant and machinery

Plant and machinery are stated at costs less accumulated depreciation and accumulated impairment losses.

iii) Depreciation

Depreciation on tangible assets is calculated to write off the cost of the assets concerned on a reducing balance basis as follows:

- Computer equipment - 25%
- Plant and machinery - 25%

vi) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit and loss and included in 'Other operating (losses)/gains'.

Leased assets

i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

3 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial instruments

The company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Distribution to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

4 Critical judgements in applying the entity's accounting policies

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 appropriate and reasonable in the circumstances.

a) Critical judgements in applying the company's accounting policies

The directors do not consider there to be any critical accounting judgments to the financial statements.

b) Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic lives of tangible and intangible assets

The annual depreciation charge for tangible assets and amortisation charge for intangible assets are sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are re-assessed and amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets.

ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.

5 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.

6 Operating profit

Operating profit is stated after charging:

	2016	2015
	£000	£000
Directors' remuneration (see note 7)	**229**	218
Amortisation of intangible fixed assets	**40**	172
Depreciation of tangible fixed assets	**9**	11
Operating lease charges:		
- Property rentals	**15**	15
- Motor vehicles	**6**	6
Services provided by the company's auditors:		
- Fees payable for the audit of company	**2**	2
- Fees payable for the audit of subsidiaries	**15**	13
- Fees payable for other services – Tax compliance and advisory	**6**	5

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

7 Staff costs

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

	2016 Number	2015 Number
Management and administration	17	18

	2016 £000	2015 £000
Wages and salaries	640	637
Social security costs	66	68
	706	705

Directors' emoluments

The total remuneration (salaries, fees and other taxable benefits paid on behalf of directors) was £229,000 (2014: £218,000). Each director's remuneration was as follows:

Year ended 31 March 2016	2016 £000	2015 £000
R J Condon	73	69
A Robathan	73	70
C Williams	73	69
N D Barley (Chairman)	1	-
G Henderson	9	10
	229	218

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. The service agreement is 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 2016

7 Staff costs (continued)

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

A reconciliation of option movements is set out below:

	2016 Number	2015 Number
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

Key management compensation

There is no key management outside of the company directors disclosed above.

8 Tax on profit on ordinary activities

	2016 £000	2015 £000
Current tax		
UK corporation tax on profit for the year	**16**	42
Adjustment in respect of prior years	**(31)**	-
	(15)	42
Deferred tax		
Origination and reversal of timing differences	**(3)**	-
Adjustment in respect of prior years	**5**	-
Effect of changes in tax rates	**(1)**	-
	1	-
Total tax	**(14)**	42

The tax for the year is lower to (2015: equal to) the corporation tax rate applying in the UK of 20% (2015: 21%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before taxation	**70**	202
Profit on ordinary activities before taxation, multiplied by the tax rate of 20% (2015: 21%) in the United Kingdom	**14**	42
Expenses not deductible	**(1)**	-
Adjustment in respect of prior years	**(26)**	-
Tax rate changes	**(1)**	-
Total current tax	**(14)**	42

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

9 Intangible fixed assets

Group	Goodwill £000	Licences and trademarks £000	Software development costs £000	Total £000
Cost				
At 1 April 2015	257	28	303	588
Additions	-	-	113	113
At 31 March 2016	**257**	**28**	**416**	**701**
Accumulated amortisation				
At 1 April 2015	257	28	243	528
Charge for the year	-	-	40	40
At 31 March 2016	**257**	**28**	**283**	**568**
Net book amount				
At 31 March 2016	**-**	**-**	**133**	**133**
At 31 March 2015	-	-	**60**	**60**

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

10 Tangible fixed assets

	Computer equipment £000	Plant and machinery £000	Total £000
Cost			
At 1 April 2015	57	147	204
Additions	-	4	4
At 31 March 2016	**57**	**151**	**208**
Accumulated depreciation			
At 1 April 2015	49	121	170
Charge for the year	2	7	9
At 31 March 2016	**51**	**128**	**179**
Net book amount			
At 31 March 2016	**6**	**23**	**29**
At 31 March 2015	8	26	34

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

11 Subsidiary undertakings

Company	2016 £000	2015 £000
Shares in subsidiaries	**254**	254
Loans to subsidiaries	**286**	511
	540	765

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

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.

12 Debtors

	Group 2016 £000	Company 2016 £000	Group 2015 £000	Company 2015 £000
Amounts falling due within one year:				
Trade debtors	**338**	**-**	352	-
Prepayments and accrued income	**10**	**-**	31	-
Amounts owed by group undertakings	**-**	**68**	-	86
	348	**68**	383	86

Trade debtors are stated after provision for impairment of £22,000 (2015: £10,000.)

The amounts owed by the group undertakings are unsecured, interest free and have no fixed date of repayment and repayable on demand.

13 Creditors: amounts falling due within one year

	Group 2016 £000	Company 2016 £000	Group 2015 £000	Company 2015 £000
Trade creditors	**36**	**-**	8	-
Corporation tax	**17**	**9**	42	14
Other taxation and social security	**91**	**-**	90	-
Accruals and deferred income	**169**	**9**	139	10
	313	**18**	279	24

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

14 Provision for liabilities

	Group Deferred Taxation £000
At 1 April 2015	7
Charge in the year	1
At 31 March 2016	**8**

Company

There are no deferred taxation balances in the company

15 Called up share capital

Company

	2016 £000	2015 £000
Allotted, called up and fully paid		
48,746,333 (2015: 48,746,333) ordinary shares of 1p each	**487**	487

16 Notes to the cash flow statement

	2016 £000	2015 £000
Profit for the financial year	**84**	160
Adjustments for:		
Tax on profit on ordinary activities	**(14)**	42
Operating profit	**70**	202
Amortisation of intangible assets	**40**	172
Depreciation of tangible assets	**9**	11
Decrease (Increase) in debtors	**35**	(149)
Increase in creditors	**59**	70
Cash flow from operating activities	**213**	306

17 Analysis of net funds

	At 1 April 2015 £000	Cash flow £000	**At 31 March 2016 £000**
Cash at bank and in hand	583	(34)	**549**

NETALOGUE TECHNOLOGIES PLC

Notes to the financial statements for the year ended 31 March 2016

18 Financial commitments

At 31 March 2016 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Expiring within one year	**15**	5	**9**	9
Expiring between one and two years	**15**	-	**5**	9
Expiring between two and five years	**4**	-	**-**	5
	34	5	**14**	23

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

19 Related party transactions

The company has taken advantage of the exemption 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.

20 Ultimate controlling party

Netalogue Technologies plc is owned by a number of private shareholders, none of whom own more than 17% of the issued share capital. Accordingly there is no ultimate parent entity nor ultimate controlling party.

21 Transition to FRS102

Group and company

This is the first year that the company and group has presented its results under FRS102. The last financial statements under the UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014.

The only adjustments to the consolidated group's balance sheet at 31 March 2016 was in relation to a holiday accrual of £5,000. The accrual for the years ended 31 March 2015 and 31 March 2014 was also calculated to be £5,000. As a result there were no changes to the group's Statement of comprehensive income for the financial years ended 31 March 2015 or 31 March 2016.

There were no adjustments to the company's balance sheets at 1 April 2015, 31 March 2015 or 31 March 2016, or to the company's Statement of comprehensive income for the years then ended on transition to FRS102.