

Elateral Group Limited

**Directors' report and financial
statements**

Registered number 07435521

31 March 2016

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Directors' report

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

Principal activity

The principal activity of the company during the year was to act as a holding company. The principal activity of the group comprised the development and sale of marketing automation software and associated services.

Highlights

The success of the group's continuing strategy to focus on securing and expanding our core client relationships maintained an exceptionally high client retention rate. In the light of improving confidence in the outlook of its markets generally, accelerating new client wins, and the successful execution of its strategic technology investments and key innovations, the Directors expect continued good momentum through 2017. Throughout the next year the Company expects to focus on further significant R&D investments and competitive innovations, a continuing focus on driving client satisfaction, retention and growth, together with expansion of channel-driven client acquisition efforts.

Operational activity

Market focus

Elatel has seen continued growth in the marketing technologies sector, with increasing interest in and demand for relevant engagement with customers and prospects across online and offline communication channels. This need continues to fuel enterprise demand for solutions to accelerate and automate content customisation and distribution. Elateral is seeing interest in its core solutions continue to grow. Our clients are expanding the use of our solutions across more media channels, and expanding the scale of usage across their operations.

Product and Technology

The group has completed the development and deployment of its next-generation Marketing Services Cloud (MSC) platform during the 2016 financial year. Having successfully deployed its cross-channel content customisation capabilities, clients are increasingly applying Elateral's platform for an expanding array of both online and offline media. Elateral's continued leadership in its sector has again been acknowledged by Gartner, a leading global marketing solutions analyst.

Clients

The company's strategy to secure and expand its relationships with key strategic clients remains successful, as Elateral has retained 100% of its key clients throughout the year. The ongoing strategy remains to drive shareholder value by focusing on extending technology leadership through innovative application and platform capabilities, underscoring quantified client value delivery, increasing quality and capacity in service delivery, and expanding scale and efficiency through key strategic partnerships. Reinforcing the core client base revenues with continued expansion of the new business pipeline presents a strong outlook for the future. The Company intends to expand its partnering initiatives through next 12-24 months by aligning with strategic partners in both business development and solution delivery capacities. The directors expect that this will help facilitate the company's continued expansion.

Directors' report (continued)

Operational activity (continued)

Foreign exchange risk

A significant percentage of the group's revenue is in US Dollars. The strengthening of the dollar versus the pound following the UK's referendum on its membership of the EU will increase revenues reported in Sterling during the year ending 31 March 2017. Nevertheless, the directors appreciate that there is a risk that future movements in the pound against the dollar could have an adverse effect on future reported revenues and accordingly the directors are aware of the need to closely monitor fluctuations in the exchange rate.

Directors

The directors who held office during the year and up to the date of approval of these financial statements were as follows:

A de Watteville (Resigned 25 November 2016)

P Blackburn

J Elkins

J Szpiro (Resigned 13 December 2016)

R Whitby-Smith

B Taylor (Resigned 20 February 2017)

P Kamel

P Galligan (Appointed 30 November 2016)

N Friedlos (Appointed 13 December 2016)

Employment policies

It is Group policy, where possible, to provide employment opportunities for disabled people. Staff who become disabled are supported in continuing employment through identification of suitable jobs and the provision of necessary retraining.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

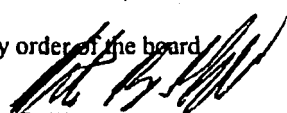
Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

By order of the board


P Galligan
Director

Elateral House
Crosby Way
Farnham
Surrey
GU9 7XX

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with applicable law and the Financial Reporting Standard for Smaller Entities (Effective January 2015) (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 company and of the profit or loss of the company 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 estimates that are reasonable and prudent; and

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG-LLP
Arlington Business Park
Theale
Reading
RG7 4SD

Independent auditor's report to the members of Elateral Group Limited

We have audited the financial statements of Elateral Group Limited for the year ended 31 March 2016 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective January 2015) (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

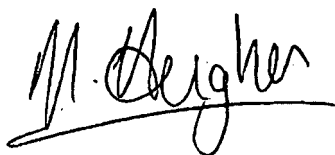
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Elateral Group Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.



Neil Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Reading

3 March 2017

Group Profit and Loss Account
for the year ended 31 March 2016

	<i>Note</i>	2016 £'000	2015 £'000
Turnover	2	6,452	5,610
Cost of sales		(953)	(660)
Gross profit		5,499	4,950
Administrative expenses		(7,110)	(7,726)
Operating loss before exceptional project costs		(1,330)	(2,308)
Administrative expenses - exceptional project costs	4	(281)	(468)
Operating loss	3	(1,611)	(2,776)
Interest payable and similar charges	6	(698)	(334)
Loss on ordinary activities before taxation		(2,309)	(3,110)
Tax on loss on ordinary activities	7	294	270
Loss for the financial year		(2,015)	(2,840)

The results for the current and preceding year all relate to continuing activities.

The notes on pages 10 to 21 form part of these financial statements.

Group Statement of Total Recognised Gains and Losses
for the year ended 31 March 2016

	2016 £'000	2015 £'000
Loss for the financial year	(2,015)	(2,840)
Currency translation differences on foreign currency net investments	(60)	(9)
Total gains and losses relating to the financial year	<u>(2,075)</u>	<u>(2,849)</u>

The notes on pages 10 to 21 form part of these financial statements.

Group Balance Sheet

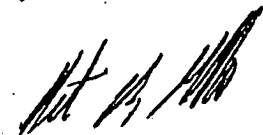
At 31 March 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	9	2	4
Investments	10	40	40
		<u>42</u>	<u>44</u>
Current assets			
Debtors	11	1,543	1,768
Cash at bank and in hand		311	242
		<u>1,854</u>	<u>2,010</u>
Creditors: amounts falling due within one year	12	<u>(9,730)</u>	<u>(7,813)</u>
Net current liabilities		<u>(7,876)</u>	<u>(5,803)</u>
Net liabilities		<u>(7,834)</u>	<u>(5,759)</u>
Capital and reserves			
Called up share capital	13	978	978
Share premium account	14	3,029	3,029
Capital redemption reserve	14	633	633
Group consolidation reserve	14	15,410	15,410
Profit and loss account	14	(27,884)	(25,809)
Shareholders' deficit	15	<u>(7,834)</u>	<u>(5,759)</u>

The notes on pages 10 to 21 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and with the Financial Reporting Standard for Smaller Entities (Effective January 2015).

These financial statements were approved by the board of directors on 2 March 2017 and were signed on its behalf by:


P Galligan
Director

Registered number 07435521

Company Balance Sheet

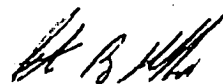
At 31 March 2016

	<i>Note</i>	2016		2015	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	10		7,000		7,000
			<u>7,000</u>		<u>7,000</u>
Current assets					
Debtors	11	1,179		579	
Creditors: amounts falling due within one year	12	<u>(4,863)</u>		<u>(3,565)</u>	
Net current liabilities			<u>(3,684)</u>		<u>(2,986)</u>
Net assets			<u>3,316</u>		<u>4,014</u>
Capital and reserves					
Called up share capital	13		978		978
Share premium account	14		3,029		3,029
Capital redemption reserve	14		633		633
Profit and loss account	14		<u>(1,324)</u>		<u>(626)</u>
Shareholders' funds	15		<u>3,316</u>		<u>4,014</u>

The notes on pages 10 to 21 form part of these financial statements

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and with the Financial Reporting Standard for Smaller Entities (Effective January 2015).

These financial statements were approved by the board of directors on 2 March 2017 and were signed on its behalf by:


P Galligan
Director

Registered number 07435521

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (Effective January 2015) and under the historical cost accounting rules.

Basis of consolidation

The group accounts consolidate the accounts of Elateral Group Limited and its subsidiary undertakings.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report. The group has undertaken a significant investment programme to update its core marketing platform. Slowing investment and the benefits of the investment beginning to deliver improved gross margins and new business have led to a reduced loss in the year to March 2016. The group is forecast to return to positive cashflow during the year to March 2017 as further benefits of the investment begin to be realised.

In February 2017, shareholders wrote to the company to confirm that it is not their current intention to seek repayment of their loans before March 2018. The shareholders also noted their belief in the group's significant growth potential and its strategic value in the marketing automation space. The directors have no reason to believe that the shareholders' loan facilities will not remain available.

The board has approved the group's operating plan, including a cash flow forecast, for the period to 31 March 2018. The directors believe there are actions they could take, if necessary, to ensure the group continues to have sufficient cash for its operation. Accordingly, the directors are satisfied that the group will be able to meet its liabilities as they fall due during the period to 31 March 2018 and beyond.

Therefore, after taking into account the above factors, the directors believe that the group can manage its business risks successfully and are satisfied that the group and the parent company have sufficient financial resources to enable them to continue operating in the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing the directors' report and financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

Turnover, which is stated net of value added tax and trade discounts, represents amounts invoiced to third parties for goods and services provided.

Software licence fees and fees for hosting services are recognised rateably over the period to which they relate.

Fees for professional services are recognised as the services are performed.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Notes (continued)

1 Accounting Policies (continued)

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, by equal instalments over the useful economic life of that asset as follows:

Leasehold improvements	-	over 5 years
Furniture, fittings and equipment	-	between 3 and 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of any group company. The pension charge represents the amounts payable by the group to the fund in respect of the period.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Permanent loans advanced by a parent company to a subsidiary undertaking which are denominated in a foreign currency are maintained at their historic rate and not retranslated in the standalone company accounts. In the consolidated accounts of the group, such loans are retranslated at the closing exchange rates, and the foreign exchange differences are recognised directly in the Statement of Total Recognised Gains and Losses.

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost, less amounts written off, if any.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Notes (continued)

2 Analysis of turnover

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2016 £'000	2015 £'000
United Kingdom	262	523
Rest of Europe	205	177
Rest of the world	5,985	4,910
	<u>6,452</u>	<u>5,610</u>

3 Notes to the profit and loss account

Loss on ordinary activities before taxation is stated after charging:

	2016 £'000	2015 £'000
Depreciation of owned fixed assets	5	5
Hire of other assets - operating leases	725	694
Research and development expenditure	910	1,331
	<u>1,640</u>	<u>2,030</u>

Auditor's remuneration:

	2016 £'000	2015 £'000
Audit of these financial statements	<u>30</u>	<u>30</u>

4 Exceptional project costs

At the start of FY2012 the business had identified that significant investment was required to transform the software code of the underlying platform used to provide services to customers, and to align all customers on one consolidated platform. Specific projects undertaken to address these two areas are tracked separately, and the exceptional costs represent the incremental cost of undertaking these projects.

The exceptional costs are identified separately in the Profit and Loss account in order to provide a clearer view of the underlying performance of the business.

Notes (continued)

5 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2016 £'000	2015 £'000
Directors' emoluments	662	754
Company contributions to money purchase schemes	42	85
	<u>704</u>	<u>839</u>

Remuneration of highest paid director:

	2016 £'000	2015 £'000
Total emoluments	294	257
	<u>294</u>	<u>257</u>

The number of directors to whom retirement benefits are accruing under the money purchase scheme during the year ended 31 March 2016 was 3 (2015: 3).

6 Interest payable and similar charges

	2016 £'000	2015 £'000
Dividends in connection with Preferred Shares classed as financial liabilities	89	69
Related party loan interest and arrangement fees	609	265
	<u>698</u>	<u>334</u>

7 Taxation on ordinary activities

Analysis of credit in the year

	2016 £'000	2015 £'000
<i>UK corporation tax</i>		
Current tax on income for the year	(294)	(270)
<i>Foreign tax</i>	-	-
	<u>(294)</u>	<u>(270)</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
Tax on loss on ordinary activities	<u>(294)</u>	<u>(270)</u>

Notes (continued)

7 Taxation on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax credit for the period is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below.

	2016 £'000	2015 £'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(2,309)	(3,110)
Current tax at 20% (2015: 21%)	(462)	(653)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	8
Capital allowances for period in excess of depreciation	(-)	(8)
Losses carried forward	287	447
Additional deduction on qualifying R&D expenditure	(212)	(177)
Tax repayment on qualifying R&D expenditure	88	113
Effects of overseas tax rates	-	(-)
Total current tax credit (see above)	(294)	(270)

The unrecognised deferred tax asset in respect of UK trading losses and capital allowances versus depreciation was £2,039,000 (2015: £1,791,000). The unrecognised deferred tax asset in respect of US Federal loss carry forwards was £1,822,000 (2015: £1,765,000). These amounts have not been recognised as there is insufficient evidence that they will be recovered.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. These reductions will reduce the group's future current tax charge accordingly and reduce the deferred tax asset.

8 Loss attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £698,000 (2015: £357,000).

Notes (continued)

9 Tangible fixed assets

Group

	Leasehold Improvements	Furniture, fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At beginning of year	460	978	1,438
Additions	-	3	3
At end of year	460	981	1,441
Depreciation			
At beginning of year	460	974	1,434
Charged in year	-	5	5
At end of year	460	979	1,439
Net book value			
At 31 March 2016	-	2	2
At 31 March 2015	-	4	4

10 Investments

Group

	Other £'000
Cost and net book value	
At 1 April 2015 and 31 March 2016	40

The other investment represents shares in Elateral Group Ltd held by Elateral Trustees Ltd (see note 19).

Notes (continued)

10 Investments (continued)

Company

Shares in
group
companies
£'000

Cost and net book value
At 1 April 2015 and 31 March 2016

7,000

Subsidiary undertaking	Country of incorporation	Holding	Proportion of voting rights	Nature of business
Elateral Holdings Ltd	England	Ordinary, preferred and deferred shares	100%	Holding company
Elateral Trustees Limited	England	Ordinary shares	100%	Employee share ownership Trust
Elateral Inc	USA	Ordinary shares	100%	Sales of marketing solutions
Elateral GmbH	Germany	Ordinary shares	100%	Sales of marketing solutions
Elateral Limited	England	Ordinary shares	100%	Software development and sales

Elateral Holdings Limited is owned directly by Elateral Group Limited; all other subsidiaries are owned indirectly.

11 Debtors

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	585	852	-	-
Other debtors and prepayments	401	332	-	-
Other taxation and social security	557	584	-	-
Amounts due from group undertakings	-	-	1,179	579
	<u>1,543</u>	<u>1,768</u>	<u>1,179</u>	<u>579</u>

Notes (continued)

12 Creditors: amounts falling due within one year

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade creditors	1,302	1,133	-	-
Other taxation and social security	69	92	-	-
Accruals and deferred income	4,370	3,287	874	264
Preferred shares classed as financial liabilities	1,189	1,101	1,189	1,101
Related party loans (note 18)	2,800	2,200	2,800	2,200
	<u>9,730</u>	<u>7,813</u>	<u>4,863</u>	<u>3,565</u>

The balance for the Preferred shares classed as financial liabilities is made up as follows:

	2016 £'000	2015 £'000
286,666,666 Preferred Shares of £0.0001 each	29	29
Share Premium on issued Preferred Shares	830	830
Accrued dividends on Preferred Shares	330	242
	<u>1,189</u>	<u>1,101</u>

Notes (continued)

13 Share capital

Allotted, called up and fully paid

	2016 £'000	2015 £'000
<i>52,841,589 (2015: 52,841,589) Ordinary shares of £0.0001 each</i>	5	5
<i>59,871,273 (2015: 59,871,273) A Ordinary shares of £0.0001 each</i>	6	6
<i>9,664,768,339 (2015: 9,664,768,339) Deferred shares of £0.0001 each</i>	967	967
<i>286,666,666 (2015: 286,666,666) Preferred shares of £0.0001 each</i>	29	29
	<u>1,007</u>	<u>1,007</u>

Amounts presented in equity

	2016 £'000	2015 £'000
Ordinary shares of £0.0001 each	5	5
A Ordinary shares of £0.0001 each	6	6
Deferred shares of £0.0001 each	967	967
	<u>978</u>	<u>978</u>

Amounts presented in liabilities

	2016 £'000	2015 £'000
Preferred shares of £0.0001 each	29	29

a) The Ordinary Shares and A Ordinary Shares of £0.0001 carry one vote each. Voting rights on the Preferred Shares are calculated on an as converted basis. Any individual holder of Preferred Shares may at any time convert the whole of his Preferred Shares into Ordinary Shares. The rate of conversion shall be one Ordinary Share for each Preferred Share held. The deferred shares do not convey a right to vote.

b) Dividends, accruing from the date of subscription, are payable in respect of the Preferred Shares (Fixed Dividends) at an aggregate amount of £68,800 per annum. This dividend is payable each year on 17 June.

Dividends do not accrue on Ordinary Shares or A Ordinary Shares. Their payment depends on a recommendation by the directors. No Ordinary Dividend is payable if there are arrears of any other dividends.

No dividends are payable on the deferred shares.

c) At any time after 19 February 2012, upon a vote by 75% or more of the Preferred Shares, they shall be redeemed at £0.003 per share.

d) On liquidation or capital reduction, the assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority:

First to the holders of the Preferred Shares £0.006 per share together with a sum equal to any arrears or accruals of the Fixed Dividend and if there is a shortfall the proceeds shall be distributed to the holders of the Preferred Shares in proportion to the amounts due on each share held;

Second in paying to the holders of Equity Shares (Ordinary Shares and A Ordinary Shares) in proportion to the numbers of Equity Shares by each with the holders of the Preferred Shares participating on an as converted basis until the holders of the Equity shares have received a sum equal to £1,000,000 per share.

Third, any remaining assets shall be distributed to the holders of deferred shares pro rata based on the number of deferred shares held by each.

Notes (continued)

14 Reserves

Group

	Share premium account £'000	Capital redemption reserve £'000	Other consolidation reserve £'000	Profit and loss account £'000
At beginning of year	3,029	633	15,410	(25,809)
Loss for the year	-	-	-	(2,015)
Foreign exchange on retranslation of foreign subsidiaries	-	-	-	(60)
At end of year	<u>3,029</u>	<u>633</u>	<u>15,410</u>	<u>(27,884)</u>

Company

	Share premium account £'000	Profit and loss account £'000
At beginning of year	3,029	(626)
Loss for the year	-	(698)
At end of year	<u>3,029</u>	<u>(1,324)</u>

Notes (continued)

15 Reconciliation of movements in shareholders' deficit

Group

	2016 £'000	2015 £'000
Loss for the year	(2,015)	(2,840)
Other recognised gains and losses relating to the year (net)	(60)	(9)
Net increase in shareholders' deficit	(2,075)	(2,849)
Opening shareholders' deficit	(5,759)	(2,910)
Closing shareholders' deficit	(7,834)	(5,759)

Company

	2016 £'000	2015 £'000
Loss for the year	(698)	(357)
Net decrease in shareholders' funds	(698)	(357)
Opening shareholders' funds	4,014	4,371
Closing shareholders' funds	3,316	4,014

16 Pensions

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £102,000 (2015: £93,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2015: £nil).

Notes (continued)

17 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2016 Land and buildings £'000	2016 IT services £'000	2015 Land and buildings £'000	2015 IT Services £'000
Operating leases which expire:				
Within 1 year	-	50	-	-
2 to 5 years	54	-	54	47
	<u>54</u>	<u>50</u>	<u>54</u>	<u>47</u>

18 Related party transactions

Consultancy fees of £30,000 (2015: £30,000) were payable by Elateral Holdings Ltd to Albion Ventures LLP and LMS Capital Plc who manage the institutional investor shareholdings in Elateral Group Ltd.

At 31 March 2016 the company had loans payable to the company's major shareholders Westpool Investment Trust plc and Kings Arms Yard VCT plc of £2,800,000 (2015: £2,200,000). Interest is charged at 12% on the first £0.5m drawn and at 22% on any balance drawn above this.

19 Employee share option schemes and trusts

The company operates an Employee Share Option Scheme (ESOS) and an Employee Share Option Trust (ESOT). The shares held within these schemes are for distribution to the employees of the company and its subsidiaries. Any person who is an employee or director of the company, or any of its subsidiaries, at the relevant granting date is eligible to be granted options under these schemes. The associated costs of establishing and administering these schemes are expensed directly to the profit and loss account of the company as they arise.

20 Ultimate controlling party

There is no single controlling party.