Registered number 2888250

Alternative Networks plc

Annual report
For the year ended 30 September 2015

Annual report for the year ended 30 September 2015

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HIGHLIGHTS

Good growth in revenues and profits and strong cash generation alongside significant operational enhancements

- Reported revenue up 9% to £146 8m (2014 £134 4m#)
  - o Pro forma~ revenue up 4%, excluding the effect of Mobile bonus reduction^
  - o Pro forma~ revenue growth in Advanced Solutions of 10%
  - o 5% underlying^ revenue growth in Mobile#, driven by 9% growth in the subscriber base
  - o Pro forma~ gross profits up 4%
- Reported adjusted EBITDA increased 13% to £22 1m (2014 19 6m)
  - o Pro forma~ adjusted EBITDA +10%
- Continued strong cash generation
  - o Operating cash conversion of 99% of adjusted EBITDA (2014 83)
  - o Net debt of £18 7m (2014 £29 3m), materially ahead of the Board's target of £20 0m
  - o Net debt leverage under 1 0 times adjusted EBITDA
- Proposed full year dividend increased 13% to 16 4p
  - o Reiterate intention to progress dividend payments towards 15% annual growth in the medium term, anticipating growth of no less than 10% per annum
- Integration of the 2014 acquisitions now complete with the businesses rebranded Alternative and all teams now located together in new facilities
  - o Increased breadth of products and services facilitating product penetration opportunities across the Group
  - o Company-wide systems and processes integrated in most business disciplines
- Strong order book at period-end and healthy pipeline for year ahead

KEY FINANCIAL INFORMATION

Audited results for the year ended 30 September		**2015**	2014 (Restated)	Change
		£'000	£'000	%
Revenue#		**146,816**	134,413	9%
Adjusted operating profit*		**19,194**	17,593	9%
Adjusted EBITDA* **		**22,053**	19,592	13%
Adjusted profit before taxation*		**17,900**	16,416	9%
Adjusted earnings per share***	- basic	**28.4p**	26 9p	6%
	- diluted	**27.8p**	26 4p	5%
Dividend per share		**16.4p**	14 5p	13%
Operating profit		**15,100**	11,540	31%
Profit before tax		**13,806**	10,363	33%
Earnings per share	- basic	**23.8p**	16 9p	41%
	- diluted	**23.3p**	16 6p	40%

* Operating profit before intangible assets amortisation excluding software, exceptional items and share based payments
** Earnings before interest, taxation, depreciation and amortisation
*** Adjusted earnings per share is based on adjusted profit after tax as set out in note 28
^ Excludes revenue earned directly from network providers based on sales volumes, that has been terminated in 2014, following the amendment to commercial agreements with airtime partners
# 2014 revenue has been restated as discussed in note 1
~ Pro forma (like for like) numbers include a full 2014 financial year's performance for the businesses acquired in January 2014

Mark Quartermaine, Chief Executive of Alternative Networks, commented

"2015 has been a good year overall, delivering robust revenue and profit growth whilst completing several major integration and operational improvements projects The business is in a strong position going forward The two acquisitions in 2014 and the transformational projects in 2015 have resulted in Alternative Networks becoming an IT Services business with a unified operational structure, a fully invested sales force and a market leading product portfolio, able to deliver end-to-end solutions to a larger customer base

"The improved profit performance in the second half of 2015, together with the high recurring revenue levels in the group, means that the Board approaches the coming year confident that the business can continue to generate good levels of growth in the future The first weeks of the current financial year show signs that the momentum carried through the previous quarter is continuing and provides sound encouragement "

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CHAIRMAN'S STATEMENT

Introduction

The 2015 financial year has seen Alternative Networks make good progress in its stated objective to grow the business further We have continued to strengthen our offering, armed with an increasing array of market leading products and services that can meet customers' communications and data needs The investment we have made, both through the acquisition of complementary businesses and the upgrading of our infrastructure, is delivering good results and leaves us well positioned for future growth

Results

Reported revenue for the year ended 30 September 2015 was £146 8m, up 9% on 2014 On a pro forma basis, i e including a full 2014 financial year's performance for the businesses acquired in January 2014, revenues were up 3% year on year and up 4% after the effects of the contract changes in Mobile are excluded Gross margins remained steady and adjusted EBITDA at £22 1m was up by 13% on a reported basis and by 10% on a pro forma basis

Cash generation has remained strong across the Group with 99% of adjusted EBITDA converted to cash Group net debt at 30 September 2015 had reduced to £18 7m (30 September 2014 £29 3m), comfortably outperforming the £20 0m target we outlined in June and down from £41 3m at the time of the 2014 acquisitions

Dividend

The continued financial strength of the Group has enabled the Board to declare a final dividend of 10 9 pence per share, resulting in a total dividend for the year of 16 4 pence per share, an increase of 13% This is in line with the Board's intention to grow the dividend by at least 10% each year The objective remains to progress towards 15% growth in the medium term The dividend will be paid on 29 January 2016 to shareholders on the register as of 4 January 2016

Review of operations

The acquisitions made in 2014 have been integrated into the Advanced Solutions division, which now represents more than 50% of group revenue Advanced Solutions performed well in the financial year, especially in the second half, following a slight lull in orders towards the end of the first half, and we closed the year with a strong £5 2 million order backlog The division also enjoyed some excellent new client wins, and reinforced its particularly strong presence in the Higher Education sector, signing contracts with 14 universities and 33 schools during the year

Mobile Network Services traded in line with expectations and continued to grow its market share, with an increased number of subscribers in a competitive market, representing a very creditable achievement Fixed Voice was as expected slightly down on the previous year and in line with market trends, and the division now represents less than 20% of group revenues Our market leading Synapse portal has continued to be a key differentiator, and we continue to drive further enhancements to its functionality, stability and reliability

The move to our new offices in Blackfriars Road, London, has completed successfully This, combined with an upgrade of our entire IT infrastructure and the full integration of the most recent acquisitions, means our employees are better equipped to deliver our high quality products and services to the market more effectively and under a single brand, and has enabled our customers to derive maximum benefit from them

We announced on 3 June 2015 that Edward Spurrier would be stepping down as CEO and as a director of the company and that Mark Quartermaine would assume the role of CEO After a four month handover, Ed's last day with Alternative Networks was 30 September 2015 We are enormously grateful to Ed for the contribution he has made to the growth of Alternative Networks from its very earliest days, through to a listing on AIM ten years ago and on to what it has become today

Growth strategy

Led by the new executive management team, the Group is well positioned to continue the growth trajectory seen to date The last year has been one of investment for that purpose, and we are well on our way to becoming one of the UK's leading providers of IT managed services to UK businesses This investment has been made to enable the Group to take maximum advantage of the expanded portfolio of services it has steadily developed, both in-house and through acquisition

As we look to take advantage of the strong platform we have built, we will use our breadth of products and services to establish ourselves the long term supplier of choice for a larger customer target base and drive organic growth We continue to remain open to acquisition opportunities should they be clearly enhancing to shareholder value and fit our product and capability set In addition, we intend to invest further in product development so as to remain at the cutting edge of the market and maintain our competitive strengths The growth of our pipeline, the increasing number of larger businesses taking more of our services and the conversion rate of orders suggest that our strategy is working and will continue to deliver value We therefore remain positive about our future prospects

James Murray
Executive Chairman
8 December 2015

Chief Executive Officer's Review

Overview

2015 has been a good year, delivering solid growth in all key metrics whilst completing major integration and operational improvement projects, and creating a strong platform to support future growth Most integration related activities are now complete following the London office move and rationalisation, IT platform enhancements and back office process integration This, in addition to significant investments, most notably across our office portfolio, but also in our sales force and in product development, has resulted in a Group that it is well placed to increase sales and deliver even greater customer satisfaction

In January 2014 the Group completed two acquisitions, which contributed for part of the year in 2014 and for the full year in 2015, and as such we refer to pro forma (or like for like) results in this report where we have included a full year of 2014 results for the acquisitions as though we had bought them at the start of 2014 financial year

The major highlights of the year were as follows

- Continued gains in market share in key growth areas,
  - Mobile subscribers increased 9% to 99,413 (2014 91,391)
  - Advanced Solutions pro forma revenues and orders up 10% and 3% respectively
- Major product development with the release of new propositions as well as enhanced versions of existing products,
- £1 0m investment in increasing ongoing account management resource to drive product penetration across the existing customer base,
- Completion of the integration of 2014 acquisitions with the businesses rebranded Alternative and all teams now located together in new facilities, and
- Shift of all legacy on-premise IT infrastructure and hosted services into modern managed secure datacentres

The new premises and IT infrastructure provide the Group with a sound platform for future growth The Group is better positioned to expand both its managed service product portfolio and its selling capability to deliver the portfolio to new and existing customers more effectively

Trading and performance overview

In 2015 the Group has continued to build on a successful 2014, with momentum seen in 2014 continuing into 2015, and has resulted in increases in reported revenues, gross profit and adjusted EBITDA compared with the prior period and on a pro forma basis Group reported revenues at £146 8m were 9% ahead of 2014, with pro forma revenues up 3% (2014 £134 4m), and up 4% when the reduction in Mobile bonus revenue impact is excluded

Cash generation was once again strong, with operating cash conversion of 99% of adjusted EBITDA As a result, net debt has fallen to £18 7m, beating the Group's £20 0m year-end target and bringing it comfortably below one times adjusted EBITDA This has allowed the Board to propose a final dividend of 10 9 pence per share which is 14% up on 2014

The Advanced Solutions business was 10% ahead of the prior year on a pro forma basis Total orders signed in the year were 3% higher than the prior year on a pro forma basis, resulting in a total backlog of £5 2m at the end of the year for delivery in the coming financial year New orders have been generated across the portfolio, with some notable areas of success particularly in Higher Education, where the Group has signed contracts with 14 universities and 33 schools and colleges during the year

Hosted Managed Services and On Demand Services, formerly parts of ControlCircle and Intercept IT, are reported in Advanced Solutions and are now fully integrated into the Group with all teams located in a new, single London office and the businesses rebranded as Alternative Trading performance has been solid, with minimal client attrition As previously reported at our interim results, performance in the year was moderately impacted by two major customers putting new orders on hold pending internal strategic reviews, resulting in lower non-recurring revenues Of these, one customer has returned to its pre-review order profile Now that the acquisitions are fully integrated we are encouraged to see improving order trends overall, which we expect to continue into the new financial year

The Mobile business has once again delivered a strong performance in the period, gaining market share with a 9% increase in the subscriber base year on year, and a further 1,300 signed that will connect by the end of the first quarter of 2016 Underlying revenues (which exclude the effect of revised commercial arrangements with suppliers) grew 5% to £39 7m, representing 28% of the Group's overall revenue

Fixed Voice revenues were 9% below the prior year, in line with expectations Gross profit was more resilient at 6% behind the prior year due to the positive impact of new commercial agreements signed in the period Whilst we continue to manage the product set for profitability, the key focus remains the migration of the fixed line base to SIP channels which have grown almost 50% year on year Overall the Fixed Voice business now represents 19% of the Group's revenue, down from 23% in 2014

Strategy

The Group's strategy remains to become the leading IT managed services provider for UK businesses via both organic and acquisitive growth The Group operates in the UK Telecoms and Information Technology (IT) market as an IT Managed Services company covering the full spectrum of services and products from device to the datacentre

The financial performance of the Group, including revenues, profits, cash flows and net debt is set out in the Financial Review and a discussion of the KPIs of the Group are included in the Trading Review, both within the Chief Financial Officer's Review

Platform for growth

2015 has been a significant year of organisational and operational change Major changes revolve largely around the Group's office space portfolio, product development and IT infrastructure The latter has focussed on migrating our infrastructure and applications to our datacentre facilities and therefore improving resilience

These combined investments will not only improve our service offerings to customers, but will also increase productivity and collaboration amongst our people and allow easier integration of future acquisitions

The Board is committed to building a broader and stronger platform for growth We have set out our vision to be the leading IT managed services provider of choice to UK businesses We have invested a total of £0 8m non-recurring capital expenditure on developing the new infrastructure required to provide the services which customers need to bridge private and public cloud services, in addition to routine recurring capital investments The technical strategy is focussed on three elements

- On demand services – to be accessed through the portal and consumed per user per month (e g Email or Unified Communications ("UC")) or per unit of compute (e g storage),
- Infrastructure services - in mobile, WAN, voice and hosting, and
- Significantly enhanced Synapse customer portal to include IT services and extend to public cloud services

The Group infrastructure and hosting services are critical to the delivery of this strategy and in the second half of 2015 we have launched our own UC cloud platform as well as a significantly enhanced "Desktop as a Service"

Strategically, we are positioning ourselves to continue to support our customers to consume business critical applications via a variety of communication methods, and this will support our growth aspirations going forward

Organic growth

The Group continues to build successfully on the following four key areas of focus to deliver continued organic growth

- Winning larger customers in our target markets,
- Using improved customer service and Synapse, combined with the acquired portals, to drive improved customer retention across the wider product set,

- o Improved product penetration across our customer base, and
- o Product development and innovation to increase value to our customer base

In 2015 the average spend per client was up 12% on the prior year demonstrating the successful implementation of the strategy At the period end, average monthly spend of our 'large customers' (i e , those with a monthly spend in excess of £1,000) increased 10% year on year, reflecting a significant increase in the size of new customers to the Group

The Group's ability to win large contracts with new customers has been proven once again in 2015 including sizeable deals with Homeserve and the London Internet Exchange to provide multiple services

Product penetration statistics continue to show a broadening uptake of services from across our customer base, with increases in sales per customer showing that our customer service levels continue to improve

Product penetration across the customer base remains strong, with 46% of customers taking more than one product (2014 46%) and the proportion taking 4 or more products increasing to 17% (2014 16%) This is in line with the Group's stated strategy of growing the average size of the customers, via enterprise sales and driving product penetration in our existing base

Product development

We have always aligned our technical strategy with our customers' needs and have now successfully transitioned the Group into IT managed services We continually look at new product offerings to further support customers and align their IT with the needs of the end user, and to deliver bespoke IT solutions for our customers from the device to the datacentre As a result we are well positioned to take increasing amounts of market share with new services, most importantly PaaS (Platform as a Service) and DaaS (Desktop as a Service) in which our products are innovative and market leading and further similar offerings will be launched in 2016

	Year to September 2015	**2016 plans**
Advanced Solutions	The Group has continued to drive relationships and capabilities with core UC vendors with a focus on the higher value application services (primarily contact centre) within the supplier eco-system, whilst also expanding our Skype for business footprint within the Online Cloud platform In the latter part of the year we launched our own UC cloud platform APaaS (Alternative Platform as a Service) utilising the capabilities of recent acquisitions to deliver an Enterprise grade, per user per month, voice platform to Group customers The APaaS offering is built on the principle of fast deployment and easy to consume services whilst also providing customers with a migration path with hybrid and full cloud options Furthermore we have enhanced the technological capability through which customer services are managed This is the first in a number of planned developments that allows the Group to provide a differentiated service offering through a web based platform that takes feeds from multiple monitoring sources and correlates the data to understand how an IT environment is performing This allows Alternative to diagnose and resolve customer issues faster and understand the context and impact an IT service interruption or performance issue has on a customer business	Moving into 2016 further 'as a Service' products will be launched, and development of the cloud platform will look toward public cloud integration The Group invested heavily in the Online cloud platform in 2015 to further enhance its capability, scalability and security, providing a foundation from which we build the next generation of services in 2016 The cloud platform enjoyed 30% growth in 2015, and combined with the 2015 enhancements, provides a robust foundation on which the group will develop new services
Mobile Voice	Development in the mobile portfolio has remained focused on cost control and device security expanding the portfolio to deliver a standalone integrated set of products that allow customers to control their mobile data costs and secure the company data held on a device	In 2016 the portfolio will expand to provide these services in a cloud delivery model and integrate the management capability into Synapse
Fixed Voice	With the 2025 date set for the withdrawal of traditional fixed voice services the group has diversified its SIP offering and focussed on the convergence of voice services with wide area network services as ISDN replacement services	In 2016 the portfolio will expand to incorporate new suppliers with unique market capabilities addressing specific customer usage cases and increased development of capabilities in synapse

Portal development

Central to this strategy is the use of Synapse, the Group's dynamic service interface, offering customers significant service and flexibility benefits During 2015 the Group has continued developing Synapse as well as continuing the process of converging the other, wider Group portal systems into it, providing an enhanced interface, covering the Group's device to datacentre portfolio

As part of the wider transformation of our office and infrastructure estate, the Group portal systems have been moved into a fully virtualised environment, alongside our other internal IT application suite, in order to ensure optimal performance for end users and greater service resilience

Significant work has also been performed on key internal systems to provide the basis for this convergence, with unification of sales and CRM systems, and with ticketing to follow, this provides the foundations to significantly expand the Group's portal functionality

Growth by acquisition

The Group's cash generative nature has facilitated the significant reduction in net debt since the 2014 acquisitions, this, combined with the strong balance sheet leaves us well placed to capitalise on further opportunities and as such the Group continues to monitor the market proactively for further "right-fit" acquisitions Acquisitions are being targeted to complement the existing products and to further expand our capabilities and product set in the Advanced Solutions area, with a focus on managed and hosted services

The main focus remains on strategic acquisitions that complement the existing product set and can be seamlessly integrated, although the Group also considers bolt on acquisitions that would bring a customer base where the Group can capitalise on its proven cross sell capability The Group will continue to be opportunistic with regards to acquisitions We remain well placed to take advantage of any opportunities as they arise, applying strict selection criteria

The Group's long standing and consistently strict criteria for acquisitions remains unchanged Targets must

- be successful, growing, highly cash generative, and profitable,
- have customers that provide cross selling opportunities for the Group, and
- be earnings enhancing in the first full year of ownership

Outlook

The strategic acquisitions in 2014 and the transformational projects in 2015 have resulted in an IT Services business with a unified operational structure, a fully invested sales force and a market leading product portfolio, able to deliver end-to-end solutions to a larger and more receptive customer base

In 2016 we plan to continue to expand, upgrade and improve our product set, with a full pipeline of new product development We are also planning further investment in the technology we use to service customers, resulting in greater efficiency and improved service

Product penetration statistics continue to show a broadening uptake of services from across our customer base, with increases in average sales per customer showing that our customer service levels continues to exceed expectations

The improved profit performance in the second half of 2015, together with the high recurring revenue levels in the Group, mean that the Board approaches 2016 confident that the business can continue to generate encouraging levels of growth going forward The first weeks of 2016 show signs that the momentum carried through from the fourth quarter is continuing and provides sound encouragement

Mark Quartermaine
Chief Executive Officer
8 December 2015

Chief Financial Officer's Review

Results & trading overview

In 2015 the Group has experienced continued growth in the Advanced Solutions and Mobile Voice products and services, and continued excellent cash performance The Advanced Solutions and Mobile Voice segments together now account for 81% of Group revenues (2014 77%), with a reduction in the contribution from Fixed Voice services, which is in managed decline

Year ended 30 September 2015

	Advanced Solutions – Pro forma		Mobile Voice		Fixed Voice		Group – Pro forma	
		Change		Change		Change		Change
	£m	%	£m	%	£m	%	£m	%
Revenue	**77 9**	10%	**40 4**	-	**28 5**	-9%	**146 8**	3%
Recurring	**45 0**	6%	**40 4**	-	**28 5**	-9%	**113 9**	-
Non-recurring	**32 9**	15%					**32 9**	15%
Gross profit	**29 3**	8%	**19 0**	6%	**12 4**	-6%	**60 7**	4%
Margin	*37 7%*	*-50bps*	*47 0%*	*+250bps*	*43 3%*	*+110bps*	*41 3%*	*+50bps*

In order to facilitate understanding of business performance, the Group splits out its operating KPIs, both financial and non-financial into three distinct revenue groups These are Advanced Solutions, Mobile and Fixed Voice These enable the Group's performance to be benchmarked against competitors and allow the Board to control more clearly the underlying drivers to the Group's business All recent acquisitions are reported in Advanced Solutions and have no impact on Mobile or Fixed Voice For avoidance of doubt, the business does not operate separate trading divisions but sells a converged product offering, with teams of sales and service organised according to customer size

Total reported revenue increased 9% to £146 8m (2014 £134 4m), with pro forma revenue growth of 3% The Advanced Solutions business was significantly up at 24% on a reported basis and 10% on a pro forma basis (£77 9m) Reported revenue in Mobile was flat year on year, but underlying revenue (revenue earned directly from network providers based on sales volumes, which ceased during the prior year following the redrafting of relevant commercials) grew at 5% (£2 0m) Revenue growth was partially offset by the managed decline in the Fixed Voice business, which was down 9% (£2 8m)

Reported gross profit increased by 10% (£5 4m) to £60 7m, and 4% (£2 4m) on a pro forma basis Gross margins are level year on year, reflecting the effect of good margin growth in Fixed Voice and Mobile Voice netted off by some margin pressure across Advanced Solutions owing to pricing on some larger hardware and maintenance deals Further analysis is detailed below by product

Adjusted EBITDA at £22 1m was up £2 5m (13%) on a reported basis and £2 0m (10%) ahead on a pro forma basis As reported in our interim results, during the period the Group has introduced a group-wide sales commission scheme encouraging higher margin and longer term growth, which has had a one off impact on adjusted EBITDA, increasing commission costs by £0 3m Nevertheless, the adjusted EBITDA margin has increased to 15 0%, up from 14 5% in 2014, reflecting the continued drive on operational efficiency and the benefits of integrating the Group, and is set to improve further with annualisation of the improvements made in 2015

Advanced Solutions

Revenue	2015 Reported £m	2014 Reported £m	2014 Pro forma £m	Change Reported	Change Pro forma
Recurring					
Managed services	**17.6**	12 4	18 4	42%	-4%
Online desktop	**3.3**	2 2	2 9	50%	12%
Maintenance	**11.6**	10 7	10 7	8%	8%
Connectivity	**8.3**	6 3	6 3	32%	32%
Billing	**4.2**	4 0	4 0	4%	4%
Subtotal	**45.0**	35 6	42 3	26%	6%
Non-Recurring					
Hardware / software	**26 3**	21 1	22 5	24%	17%
Professional Services	**6.6**	5 9	6 1	12%	8%
Subtotal	**32 9**	27 0	28 6	22%	15%
Total	**77.9**	62 6	70 9	24%	10%
Gross Margins					
Recurring	**44%**	45%	43%	-100bps	+100bps
Hardware / software	**21%**	23%	23%	-200bps	-200bps
Professional services	**59%**	59%	59%	-	-
Advanced Solutions	**38%**	39%	38%	-100bps	-

Advanced Solutions revenues increased by 24% to £77 9m on a reported basis and 10% on a pro forma basis over the prior year Growth in the second half of the year was slightly slower than the first half, owing to Q3 sales pressure arising from wider economic events and strategic reviews resulting in new business suspensions from two larger customers, as reported at the interim reporting stage

Growth has returned to healthy levels in Q4, producing a total sales order backlog of £5 2m, and signed orders 3% higher than the prior year on a pro forma basis, giving high levels of confidence heading into 2016

New orders have been generated across all industry verticals and notable contract wins with larger customers include a wide scale networking contract for the London Internet Exchange and wide scale WAN and hosted voice migration for Homeserve

The margin in Advanced Solutions is broadly level with the prior year at 38% (2014 39%) as a result of growth in higher margin services including professional services, netted against some pricing pressure for larger deals involving legacy hardware and maintenance solutions

Managed services

Managed services encompass the Group's offerings in all hosting, cloud and utility services, including all outsourcing services Growth in this area is a key focus with both existing and new customers High margins in this area represent the added value nature of the services provided The 4% decline in revenue on a pro forma basis reflects a decrease in the lower margin pure hosting and colocation revenue as the Group encourages clients to move towards higher margin, fully managed services

Online desktop

Online desktop represents the Group's cloud based Desktop as a Service (DaaS) remote access offering, acquired as part of the 2014 acquisitions 12% pro forma revenue growth in this product has been generated under the Group's ownership as we seek to take a key position in this growing market

Maintenance

Maintenance revenues have grown by 8% year on year owing to some large wins at the end of the prior year and start of 2015 Margins are also consistent year on year as the group has been able to renew contracts at historical pricing levels due to the service quality available to clients, and proactively churn any that involve lower pricing

Connectivity

Connectivity revenues increased 32% to £8 3m in 2015 This growth was generated from data connectivity sales to both existing and new customers Sales growth has also arisen from a number of key wins, including the UK-wide contract with Menzies Distribution signed in 2014

Hardware & software

Hardware and Software revenues comprise all individual non-recurring direct sales across the Group, and increased 24% to £26 3m (2014 £21 1m) on a reported basis and 17% on a pro forma basis Gross margins have reduced across the Group due to a number of large deals where competitive pricing has been offered in order to secure further growth opportunities in higher margin products and services with recurring revenue

Professional services

Professional services revenue, comprising a mix of IT solution design and installation of data hardware, increased 12% from £5 9m to £6 6m on a reported basis and 8% on a pro forma basis as a result of the high level of hardware orders and also a number of more complex projects with higher levels of associated installation requirements Margins have stabilised during the year following the integration of the acquisitions and continue to reflect the efficiency with which the Group is able to apply the workforce to new and existing projects

Billing services

Billing Services revenues were up 4% to £4 2m (2014 £4 0m) This is as a result of further growth in sales to third party customers and revenue from providing a hosted managed billing service Gross margins were in line with the prior year at 53%, as the Group maintained its high client retention level and delivered more consultancy services to clients

Telephony Services - Mobile

	2015 £m	2014 (Restated)	Change
Revenue #	**40.4**	40 4	-
Mobile bonus revenue	***0.7***	*2 8*	
Underlying revenue	**39.7**	37 7	5%
Gross profit#	**19.0**	18 0	6%
Gross margin %	**47 0%**	44 5%	250bps
Subscribers	**99,413**	91,391	9%
Recurring revenue	**93%**	89%	
Mobile KPIs			
Monthly ARPU (£)	**34**	36	-6%
Monthly ADPU (Mb)	**170**	99	72%
Network churn	**16%**	14%	
Customer churn by value	**14%**	11%	
% Subscribers in-contract	**78%**	73%	
Monthly average contract length	**26m**	24m	

#2014 revenue and gross profit has been restated following a reclassification of mobile customer credits and other costs, as discussed in note 1

Headline mobile revenues were flat year on year at £40 4m, whilst underlying revenues grew 5% year on year in the period (excluding the effect of bonus reductions) as the Group continues to take significant market share Margins have once again risen, from 45% in 2014 to 47% in 2015, primarily as a result of the 2014 signed commercial agreements

There was continued high growth in the contract base with a 9% increase in subscribers to 99,413 at the end of 2015 Whilst this is the result of significant new connections, demonstrating a continued ability to win in a flat market, slightly higher churn has been seen in the second half of the year as market pressure has led to the loss of certain customers where the Group was not willing to support lower margins

Mobile gross margins have increased to 47%, from 45%, mostly as a result of annualisation of the benefits of the new commercial arrangements signed in 2014, but also other positive factors such as the value added from the Synapse service platform

Mobile KPIs

The Group uses three principal KPIs to measure the performance of Mobile Voice, being "ARPU", "ADPU" and churn

- "ARPU" represents the average spend in line rental, voice and data usage charges per live connection per month in the Group's contracted base of subscribers ARPU has reduced by circa £2 (6%) to £34 in the year, similar to the 2014 decline (2014 £2) Underpinning this trend is the reduction in line rental charges associated with bundled packages and the general trend in reduction in voice usage, partially offset by increased data usage (see below) Declines in voice ARPU total approximately £2 50 (including rental charges) as a result of regulatory changes Data usage ARPUs continue to rise, by 21% in 2015, which is lower than the 72% rise in ADPU due to a change in the mix between European and higher priced 'rest of world' roaming Growth in data ARPU has been dampened somewhat both by general market pressures on pricing, where increased bundle allowances have been seen and also a slight decrease in wider global travel, where we have seen a 100bps drop in 'rest of world' roaming as a proportion of our total customer base

- "ADPU" represents the average data usage per live connection per month in the Group's contracted base of subscribers The average ADPU for the period has increased by 72% to 170Mb demonstrating the rapid growth in data usage The growth in data usage can be attributed to a number of factors including the rise of the smartphone (71% of the subscriber base, up from 69% in September 2014) and the ongoing move from 3G to 4G networks The growth seen, combined with the Group's high margin customer base, gives a strong platform to grow further in 2016
- Churn by value, which illustrates the retention value of all contracted customers to the Group, has risen slightly in 2015 from 11% to 14%, mostly due to the loss of certain customers in the second half where retention would have led to decreased margins that the Group was not prepared to accept Even at 14% the Group is setting a market leading benchmark, where the broader industry sees churn levels of 20% to 25% and demonstrates the value the Group provides to customers Network churn was 16% which is again up slightly on 2014 (14%), an excellent performance in a very competitive marketplace where it is easy to switch between networks The generally high retention is a result of the overall client experience covering the service offering and the benefits of Synapse, and as we respond to general market changes with sophisticated tariffs we expect this to improve in 2016

Telephony Services - Fixed Voice

	2015	2014	Change
	£m	£m	
		(Restated)	
Revenue	**28.5**	31 3	-9%
Gross profit#	**12 4**	13 2	-6%
Gross margin %	**43%**	42%	+110bps
Outbound monthly ARPU (£)	**1,385**	1,421	-3%
Number of lines/channels (inc SIP)	**68,388**	72,027	-5%
SIP lines	***10,924***	*7,424*	47%
Average customer contract length (months)	**30m**	24m	+6m

#2014 gross profit has been restated following a reclassification of other costs, as discussed in note 1

The market continues to operate on two-tiers with legacy fixed voice providers seeing network traffic in decline by mid-single digit rates and resellers and service providers migrating their customers to IP services at a faster rate resulting in annual revenue reductions in the order of low double digit (10-14%) On this basis we consider our performance this year to be good given the market context The Group manages its Fixed Voice Services in the context of the declining market place whilst improving market share and profitability, and continues to retain its customer base via migration to SIP based telephony In the year the number of SIP lines has increased by 47% from 7,424 to 10,924

Fixed Voice revenues declined 9% in 2015 to £28 5m due to a combination of customer churn and reduction in call volume to mobiles, regulatory price reductions and the continuing move to email and mobile However the Group has again succeeded in the proactive management of this base with further commercial gains and active retention, particularly in the Inbound services base where year on year gross profits have risen 21%

The gross margin on this product set has continued to grow in 2015, from 42% to 43%, but with the revenue decline, total gross profit has reduced 6% year on year The growth in gross margin is as a result of improved commercial arrangements from key suppliers

Outbound services

- Outbound revenues decreased by 11% to £21 3m The underlying performance was in line with industry trends as the reduction in call spends to mobiles, due to regulatory price reductions, and a move to email, mobile and IP based telephony, continues to cannibalise traditional office based telephony revenues

- Outbound ARPU has reduced by 3% to £1,385 in 2015 as a result of a general reduction in spend resulting from the shift to mobile and data communications, tempered by an increase arising from the signing of new, larger, customers and churn of smaller customers Average contract periods are now 6 months longer than the prior year increasing the viability of future revenues

- The number of lines in the estate declined by 5% to 68,388, with some of the churn being non or low billing analogue lines that we have helped customers identify using Synapse The ongoing transition to SIP has again progressed well with a 47% rise in SIP lines

Inbound services

- Inbound services revenue, at £7 3m, was in line with 2014, as increases in NGN products compensated for the reduction in customer traffic revenues As a consequence, gross profit was 21% up on 2014 at £3 7m

- Gross margins are up significantly year on year, to 51%, due to the new commercial terms agreed and increased sales of the higher margin NGN product

Financial overview

Adjusted and statutory results

In these results we refer to adjusted and statutory results Adjusted results are prepared to provide a more comparable indication of the group's underlying business performance Adjusted results exclude adjusting items as set out below and in note 28

Non-recurring items

As a result of the various restructuring activities the Group incurred non-recurring charges of £2 4m This comprised £0 6m of redundancy charges, £0 9m of non-cash rent charges on unoccupied property during the fit-out phase and £0 9m on restructuring and other charges

As reported at the interim stage, the Group has rationalised its property portfolio in 2015, reducing the number of properties around London from five to two, involving the sale of one property for a gross receipt of £3 8m giving rise to a profit on disposal of £2 4m, and the early exit of a leased property yielding a receipt of £0 9m, both of which have been recorded as adjusting items

Finance costs

Finance costs were £1 3m (2014 £1 1m) driven by the Group's existing debt facilities in place for the whole year At September 2015 the margin applied to this facility had fallen to 2 50% over LIBOR based on a leverage position of the balance sheet of less than 1 0 Throughout 2016 the margin over LIBOR is expected to be less than 2 50%

Taxation

The effective tax rate for the year was 17 0% (2014 22 0%) The effective tax rate in the current period is lower than the prior period due to a further reduction in the standard rate of corporation tax for the year (from 22 0% to 20 5%) and is lower than the UK statutory rate due to the recognition of prior year R&D credits that have been successfully received in the current year and profit arising on the sale of a property for which indexation allowances have been applied

Earnings per share

Basic adjusted earnings per share have increased by 6% from 26 9p to 28 4p Fully diluted adjusted earnings per share have increased by 5% to 27 8p (2014 26 4p) Statutory (unadjusted) fully diluted earnings per share have increased 40% from 16 6p to 23 3p

The weighted average number of shares in the year used for calculating the basic earnings per share has increased by 502,918, as outlined in note 11 The dilutive share number has increased by 52,057, due to the issuance of new long term retention share option plans (note 26) netted off by a reduction in shares relating to the EBT

Net debt & bank facilities

The Group continues to benefit from access to a £36 0m syndicated bank loan facility split equally between two lenders (a £43m facility reduced by £7 0m of term loan repayments), of which the average interest margin payable throughout the 2015 financial year was below 2 5%

The year-end net debt balance was £18 7m, down from £29 3m at 30 September 2014 This is after £5 3m of total capital expenditure and paying dividends of £7 2m The net debt level is down from a peak of £41 3m at the time of the acquisitions, and well ahead of the target of £20 0m as set by the Board

Net debt performance is primarily driven by the strong operating cash conversion of the business (see below) which has been greatly facilitated by the completion of acquisition integration activities The Group closed the 2015 financial year with an impressive financial position, a key part of the platform for growth initiative

Cash flow

Working capital and cash management remains a key priority of the Group and once again cash flow has been very strong Cash inflow from operations was £21 9m (2014 £16 2m), compared to adjusted EBITDA of £22 1m (2014 £19 6m), representing a cash conversion of 99% (2014 83%) Alongside this the Group debtor days have remained below 30 days

	Year ended 30 Sept 2015 £m	Year ended 30 Sept 2014 £m	Change
Cash generated from operations	**21.9**	16 2	35%
Proceeds from sale of property – *non recurring*	**3 8**	-	
Taxation	**(1.3)**	(1 4)	
Capital expenditure - *underlying*	**(2.1)**	(2 1)	
Capital expenditure - *customer assets*	**(0.5)**	-	
Capital expenditure - *non recurring infrastructure*	**(2 7)**	-	
Finance cost (net)	**(1.3)**	(1 1)	
Free cash flow	**17 8**	11 7	
Free cash flow before non-recurring items	***16.7***	*11 7*	*43%*
Dividends	**(7.2)**	(6 6)	
Acquisitions (net of cash acquired)	**-**	(51 5)	
Net cash flow	**10.6**	(46 4)	
Opening (net debt)/cash	**(29.3)**	17 2	
Closing (net debt)	**(18.7)**	(29 3)	

Capital expenditure

Capital expenditure in the period was £5 3m compared to £2 1m in 2014, largely due to additional non-recurring investments in the Group's infrastructure totalling £2 7m This was primarily comprised of office fit-out and IT infrastructure, and was funded entirely by the sale of a property during the year for a total of £3 8m There was a further £0 5m of spares and tooling equipment acquired as part of the signing of a large hardware and maintenance deal in a new customer vertical

The remaining £2 1m of spend was in line with expectations and previous periods, and represented further expenditure in respect of IT development, including additional investment in a consolidated customer portal service, expanding on the existing Synapse functionality and investments in the existing CRM platform to improve our service to customers and reduce operating costs

In 2016 we expect capital expenditure to reduce back to routine underlying levels, with some additional investment required across our product portfolio's, including software development to ensure our unique proposition is consistent across all service lines

Dividend per share

The Board has proposed a final dividend of 10 9 pence per share (2014 9 6 pence per share) making a total ordinary dividend of 16 4 pence per share for the full year (2014 14 5 pence per share)

The dividend will be paid on 29 January 2016 to shareholders on the register as of 4 January 2016

Principal risks and uncertainties

Managing the financial, operational and reputational risks across our business and operations is critical to our success Below we highlight the identified key areas of risk that are monitored on an ongoing basis The Group's Risk Management Framework requires a regular review of the key risks facing the Group

Contracts with suppliers

The Group resells the products of its suppliers and whilst many of the Group's products are supplier agnostic and there exists a freedom to substitute various suppliers' products, the Group acknowledges that it has reliance in particular on the contracts with the mobile networks, O2 and Vodafone Both managed service agreements run until March 2018

The Group mitigates this risk by maintaining strong relationships with its suppliers at various levels of the business, as well as paying close attention to ensuring the expectations of suppliers are met, and where possible exceeded

Acquisition integration

The Group has set out that its strategy includes the acquisition of businesses where they are earnings enhancing The Board acknowledges that there is a risk of operational disturbance in the course of integrating acquired businesses with existing operations The Group mitigates this risk by careful planning, rigorous due diligence and segregation of the target operations where possible Where there is full integration of acquired businesses, the Group receives a report on the effectiveness of the integration and variances from business plan All acquisitions to date have been fully integrated, with the exception of Aurora (AKJ Limited) where an independent IT infrastructure is essential to its client offering

Technological change

The Group operates in a market of rapid and dynamic technology changes, and there is a risk that the Group fails to secure the necessary contracts to supply its customers with a new technology (disruptive) which substitutes existing technology The Group mitigates this risk by maintaining close relationships with its suppliers, and by employing a Product development team whose duties include research, review and procurement of appropriate new technology products for testing prior to release to our customers

Ability to continue to attract and retain key sales and customer management executives

Ability to continue to attract and retain key sales and client management executives - the Group is a direct sales and marketing business and whilst the revenues of the Group are largely recurring on a monthly basis, the Group depends on being able to recruit and retain staff of the right calibre in order to win and service key contracts The Group has sought to mitigate this risk by investing in a succession and training plan for career development, and improving the employee benefits and remuneration over the last 3 years, including commissions, and specifically share options and pension contributions The Board monitors the results of exit interviews, recruitment statistics and staff attrition by department on a regular basis

Regulatory risk

The Group acknowledges that the pricing of products and services can be affected by regulatory bodies in the UK and the EU In recent years, usage pricing from fixed to mobile destinations and EU Roaming mobile voice and data retail prices have been substantially altered The Board believes that where the pricing regulations are directed at wholesale prices, the Group is more able to mitigate the risk through its own buying and pricing policies Where the regulator imposes price caps at the retail level, the Group is more exposed to a reduction in margin where the operators do not substantially reduce their wholesale prices The Group mitigates the risks by careful and detailed research on the future regulations, and has been involved in lobbying where applicable The Group will assess each risk and build it into its forecasts of income as soon as possible and will amend its pricing policies accordingly

IT environment and control risk

The Group is increasingly dependent on IT systems for delivering its products and services and for retaining customers, as well as for running the operations of the Group To date, the Group has used its own internal expertise together with external consultants, where necessary, to build its own IT infrastructure and software products, and is continuing to invest each year in improving its systems and adding more resilience The Board believes the Group mitigates the IT control risks in a number of ways Firstly, it employs a broad range of highly skilled IT personnel and ensures that there is a succession and retention plan associated with these highly talented individuals Secondly, the Board directs its external auditors to focus on the IT environment in its control testing at the annual audit, and also instructs additional internal audit where required Recommendations from both sets of audits are tracked through by the Board Thirdly, the Group operates best practise in its adherence with standards issued by the International Organisation for Standardisation and the British Standards Institute Currently, the Group has accreditation for - ISO 27001 Information Security Management, ISO9001 Quality Management, ISO 14001 Environmental Management, ISO20000 Service Management and ISO 22301 Business Continuity Management in the majority of its operating divisions In order to retain these accreditations, the IT control environment is regularly reviewed by the British Standards Institute

The Board is confident that there is a satisfactory framework for monitoring, assessing and reporting on these risks There is also a robust regular framework for reporting on predictive KPIs in the business

Gavin Griggs
Chief Financial Officer
8 December 2015

This Strategic Report is approved by the Board and signed on its behalf by

Gavin Griggs
Chief Financial Officer
8 December 2015

Directors and advisers

James Murray - Executive Chairman

James Murray co-founded Alternative Networks in 1994 following the deregulation of the British telecoms industry and having worked in both technical and sales roles for a number of London telecoms businesses As managing director, CEO and now Executive Chairman, James has overseen the growth of the business from start-up, to becoming one of the leading independent business technology service providers in the UK, listed on AIM and employing over 600 people nationwide James is a previous winner of Ernst and Young's "Young Entrepreneur of the Year" Award

Mark Quartermaine – Chief Executive Officer

Mark has more than 30 years' experience in the ICT industry in a variety of executive, sales and marketing roles He joined IBM in 1984 and spent 16 years in various roles, including running the point of sale business for Europe and latterly in the US as the Worldwide Marketing Director for the Retail Division Since leaving IBM in 2001 Mark has served as COO on the board of NSB Retail and has held various roles at BT Global Services, including MD of Public Sector as well as the UK President He was recently CEO at Azzurri Communications and a non-executive director at Prologic plc, which was successfully sold in 2012 Before joining Alternative, Mark was Vice President of UK & Ireland for Juniper Networks and sat on Alternative Networks' non-executive board until January 2014

Mark was appointed Chief Executive Officer on 1 October 2015

Gavin Griggs – Chief Financial Officer

Gavin Griggs was appointed to the Board in April 2013 He joined Alternative from Logica plc, where he was Group Financial Controller Prior to that, Gavin held finance director roles at Sodexo and PepsiCo, and was Head of Group Finance, Planning and Analysis at SABMiller In addition to heading up the finance function, Gavin's responsibilities also include the M&A and legal functions within the Group He is a Chartered Management Accountant and has Bachelors and Masters Degrees in Chemical Engineering

Bernard Cragg – Deputy Chairman and Senior Independent non-executive Director

Bernard Cragg has 30 years' commercial and City experience A qualified chartered accountant, he was the Finance Director and CFO of Carlton Communications plc from 1987 until 2001 He joined the board of Arcadia in 1999 and became chairman of its audit committee, and Senior Independent Director until its eventual sale in 2002 He was a non-executive director of Bank of Ireland UK Financial Services Limited (including Bristol & West Building Society) from 2002 until 2007 In 2003 he became Chairman of business information company, Datamonitor plc where he served until its eventual sale in 2007

He is the senior independent director and chairman of the audit committee of Progressive Media plc and held the same position with Workspace Group plc until stepping down in 2014 Bernard is a non-executive director of Astro All Asia Networks Limited, Astro Malaysia Holdings Berhad, Astro Overseas Limited and Framestore and is Chairman of US based media company, Psyop LLC

Ben Mingay - non-executive Director

Ben Mingay was appointed to the Board in 2011 An experienced corporate financier, he is a Senior Partner and co-founder of Smith Square Partners LLP, an independent corporate advisory business He was previously a Managing Director at Credit Suisse First Boston and a Partner of Hawkpoint Partners Ben is also a non-executive Director of HomeServe plc

Henrietta Marsh - non-executive Director

Henrietta Marsh joined the Board as a non-executive Director on 6 June 2014 She has significant public company experience, having served as a non-executive director (and chairing the Remuneration Committee) at Dods (Group) PLC from April 2012 to November 2014, been an independent non-executive director at Acal plc since May 2013 and chairing the Remuneration Committee since October 2014, and since January 2014 been a non-executive Director of Electric World plc where she is appointed by Living Bridge Equity Partners She is also a Director of Henrietta Marsh Consulting Limited Previously, Henrietta was a director of 3i plc where she worked as a fund manager and in private equity for 14 years She was also a fund manager at Living Bridge Equity Partners responsible for all AIM investments Henrietta was the founder chairman of the AIM VCT Managers Group and is a member of the London Stock Exchange's AIM Advisory Group

Alternative Networks plc

Executive Directors
J Murray
G Griggs
M Quartermaine

Non-executive Directors
B Cragg
B Mingay
H Marsh

Company Secretary
G Griggs

Registered office
5th Floor
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London
SE1 8NW

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Principal bankers
Barclays Bank plc
1 Churchill Place
Canary Wharf
London
E14 5HP

Principal legal advisors
Bird & Bird LLP
15 Fetter Lane
London
EC4A 1JP

Corporate brokers
Investec
2 Gresham Street
London
EC2V 7QP

Registrar
Capita IRG
7th floor Phoenix House
18 King William Street
London
EC4N 7HE

Directors' report

The Directors present their report and audited financial statements of Alternative Networks plc and its subsidiaries (the "Group") for the year ended 30 September 2015

Principal activities

The principal activity of the Group continues to be provision of IT managed services and independent business-to-business communications

As a service provider, the Group supplies a range of services including managed network services, managed hosting, mobile phone and data services, internet and broadband services, non-geographic number services and a variety of core information technology services The Group also supplies, installs and maintains business telephone systems and associated integrated communications applications In terms of billing services, the Group provides software and consultancy specialising in the telecommunications industry

The principal activity of the Company is business communications focused on service provision The Company registration number is 02888250

Dividends

The Company paid a 2014 interim dividend of 5 5 pence (2014 4 9 pence) per 0 125p ordinary share, with a total payment value of £2,662,000 (2014 £2,370,000) This was paid on 15 July 2015 to shareholders on the register on 19 June 2015

The Directors are proposing a final dividend in respect of the financial year ended 30 September 2015 of 10 9 pence (2014 9 6 pence) per 0 125p ordinary share which will absorb an estimated £5,280,000 (2014 £4,644,000) of shareholders' funds It will be paid on 29 January 2016 to shareholders who are on the register of members at 4 January 2016

Directors

The Directors who held office during the year and up to the date of signing these financial statements are given below

J Murray
E Spurrier (resigned as a Director 30 September 2015)
G Griggs
M Quartermaine
B Cragg
B Mingay
H Marsh

Edward Spurrier stepped down as Chief Executive Officer on 30 September 2015 and was replaced by Mark Quartermaine on 1 October 2015 Mark was previously the Chief Operating Officer of the Group, a role that has not been replaced since this change

The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors

Share schemes

The Directors believe that a key element in attracting, motivating and retaining employees of the highest calibre is employee involvement in the performance of the Group through participation in employee share schemes By doing so, the Directors believe that employees' interests will be more closely aligned with those of the shareholders The schemes are described in the Remuneration Report

Substantial shareholdings

As at 1 December 2015 significant shareholders (those with over 3% shareholding) are as follows

Shareholder	Holdings	Percentage of issued share capital
Chris Wilson	4,122,360	8 3%
Hargreave Hale	3,995,409	8 0%
Octopus Investments	3,961,789	7 8%
Edward Spurrier	3,076,065	6 2%
Blackrock Investment	2,822,230	5 7%
Investec Wealth & Investment	2,771,941	5 6%
James Sewell	1,865,899	3 8%
Herald Investment Management	1,806,520	3 6%

Director's shareholdings are shown in the remuneration report Edward Spurrier resigned as a Director on 30 September 2015

Corporate social responsibility ("CSR") statement

The Group is committed to operating in a socially and environmentally responsible manner and structures its policies, initiatives and practices accordingly, as the business evolves

Employees

The Directors believe that the Group's employees are a source of competitive advantage and recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, develop and retain employees of the highest calibre

The Group is committed to the principle of equality of opportunity in employment and seeks to ensure that no employee or applicant is treated less favourably on the grounds of age, disability, gender, gender reassignment, pregnancy, maternity, race, sexual orientation, religion or belief, or because they are married or in a civil partnership or is disadvantaged by conditions or requirements which cannot be objectively justified

Entry into and progression within the Group are solely determined by the application of job criteria, personal attitude and competence

It is the Group's policy to apply best practice in the employment of disabled people Full and fair consideration is given to every application for employment from people with disabilities whose aptitude and skills can be utilised in the business and to their training and career development This includes, wherever possible, the retraining and retention of staff who become disabled during their employment

All employees are informed of matters concerning their interest as employees and the financial and economic factors affecting the business The Company maintains established communication channels management forums and briefings, conferences, weekly employee newsletter and the Company intranet as well as team and individual meetings

The Group strives to create an enjoyable, challenging and progressive employee experience where a healthy work/life balance and general well-being is encouraged supported by a flexible reward and benefits package

The Group places great importance upon training and development and has a well-established in-house learning and development academy which supports career progression and development Over 57% of

Group employees have been promoted into people management roles internally 44% of our employees have worked for us for more than five years and 20% for ten years or more

Effective two-way communication, teamwork and collaboration are also critical in creating an engaging, positive and productive work environment The Group informs employees of the activities and performance of the business through annual Group events, face to face briefings, weekly newsletters and Directors operating an open-door policy Exit interview feedback and new starter surveys are reviewed to ensure any potential concerns can be identified and managed at an early stage

Our environmental commitment

The Group appreciates the importance of sound environmental practice and the need to increase awareness and change behaviour amongst employees The Group is certified to ISO 14001 2004 Environmental Management It aims to share responsibility for improving the Group's practices with employees to progressively reduce its environmental impact As part of our continued improvement programme we completed the EU commissioned sustainability support programme, through their partner Carbon Smart

Recycling of unavoidable waste is considered a priority and in 2015 we maintained a steady level of recycling sustaining the improvements from last year The Group continues to recycle paper, cans, plastic, cardboard, computer equipment, toner cartridges, batteries and mobile phones We have continued to control our energy consumption and have completed "switch it off" initiatives in all locations

In transforming our London office space in 2015 we now have almost half of the Group's employees located in a BREEAM approved property BREEAM is the world's foremost environmental assessment method and rating system for buildings and sets the standard for best practice in sustainable building design, construction and operation and has become one of the most comprehensive and widely recognised measures of a building's environmental performance

Although some travel to and between offices is inevitable, the Group is committed to reducing the environmental impact of transportation The Group's main offices have continued to develop and extend the use of video-conferencing facilities which reduces the need to visit other sites In addition, role permitting, we support home working

The Group encourages employees to use environmentally friendly transport options by restricting flights between offices, using rail travel as an alternative to driving wherever practical and has introduced a Ride to Work Scheme Scheduling of field engineers together with remote access capability also minimises time spent on the road, and public transport and/ or overnight stays (hotels) are encouraged for engineers where this is an alternative to excessive additional mileage

Where possible, we source environmentally friendly products and services, including paper made from sustainable resources and energy efficient appliances All new Company cars leased by the company continue to have energy saving technologies and carbon emissions below 120gm

Community involvement and charitable donations

The Group has chosen to forge links with local charities at each Company location which are coordinated by the Group wide Charity Committee

During the year, donations of £18,714 (2014 £13,347) were made to charities The Group supports its employees' charitable endeavours through sponsorship and during the year employees participated in fundraising activities raising additional donations of £22,470 (2014 £14,021), taking the total to £41,184 (2014 £17,368) The Group actively encourages employees to participate in charity events by providing time off and paying event registration fees

The chosen charities for 2015 were Restless Development, Pilgrims Hospice, When You Wish Upon a Star and Macmillan Cancer Support

There were no political donations made in the year (2014 nil)

Payment to creditors

The Group has a variety of payment terms with its suppliers The Group agrees payment terms with its suppliers when it enters into binding purchasing contracts for the supply of goods and services Its suppliers are made aware of these terms The Group seeks to abide by these payment terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions At 30 September 2015 the amount of trade payables shown in the balance sheet represents 57 3 days of average purchases of the Group (2014 62 1 days) and 64 5 days for the Company (2014 60 3 days)

Financial risk management

Financial risk management is disclosed within note 23 of the financial statements

Share repurchase

The Group began its share buyback scheme in 2008 The scheme was entered into as the Group had funds surplus to the operational requirements of its continuing activities In arriving at the level of cash available to be returned to shareholders, the Board took into account the levels of funding remaining in the Group to enable it to meet its working capital requirements

The Directors will continue to monitor the level of cash required for the business and determine if further repurchases remain in the shareholders' best interests

Going concern

After considering the Group's financial projections, available borrowing facilities, covenants on borrowing facilities and other relevant financial matters, the Board is satisfied that on the date of approving the financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason the Directors continue to adopt the going concern basis in preparing the financial statements The Group's trading performance has been discussed in the Chief Executive's and Chief Financial Officer's statements

Statement of disclosure of information to Auditors

Each director of the Group, in office at the time of approval of this report, acknowledges that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

- He or she has taken all the steps that he or she ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Group will be submitted to the forthcoming Annual General Meeting

By order of the Board
Gavin Griggs
Company Secretary and Chief Financial Officer
8 December 2015

Corporate Governance Report

Introduction

The Board of Alternative Networks plc is committed to the highest standards of corporate governance not only in the areas of accountability and risk management but also as a positive contribution to the business The Board considers that the Group, whilst trading on the Alternative Investment Market ('AIM'), has adopted and complied with those requirements of the UK Corporate Governance Code 2010 ("the Code") as best applicable to the Company given its current size

Board of Directors

The Board is responsible for the overall management of the Group and is accountable to shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value

There is a clear division of the roles and responsibilities of the Chairman and the Chief Executive Officer which are set out in writing and have been agreed by the Board

The Chairman is responsible for leading the Board and ensuring its effectiveness, setting the agenda for and conducting Board meetings, ensuring that all Directors receive sufficient, accurate and relevant information on financial business and corporate issues and maintaining effective communication with shareholders

The Chief Executive Officer is responsible for the executive management and performance of the Group's business, the development, recommendation and implementation of the Group's strategy and budget and setting the overall policy and direction of all business operations

The Board has a formal schedule of matters reserved for its decisions The specific issues include the Group's overall strategy, the Group's acquisition and divestment policy, approval of key suppliers, approval of major capital expenditure projects and significant financing matters and all corporate governance and compliance matters It monitors the exposure to key business risks, reviews the strategic direction of the business, reviews annual budgets and progress towards achievement of those budgets and reviews capital expenditure programmes The Board also considers employee issues and key appointments

Subject to the matters which it has reserved for itself, the Board has delegated authority for the management of the Group's business to the Chief Executive Officer who exercises this authority through delegation to members of the senior management team

The Company Secretary is responsible for advising the Chairman and the Board on all matters concerning corporate governance He supports the Chairman in ensuring the provision of accurate and relevant information to the Board and for ensuring that there is a flow of information within the Board and its Committees, and between senior management and non-executive Directors

The Group maintains appropriate insurance cover in respect of Directors' and officers' liabilities This insurance cover does not provide cover in the event that the Director is proved to have acted fraudulently or dishonestly

The Board, which is scheduled to meet monthly, met on eleven occasions in the current year, in addition to four off-site strategy meetings

	No of meetings in year	JM	ES	MQ	GG	BC	HM	BM
Board	11	11	11	10	11	10	10	11
Strategy meetings	2	2	2	2	2	2	2	2
Audit Committee	4	0	2	1	4	4	4	4
Remuneration Committee	4	4	3	1	3	4	4	4
Nomination Committee	1	1	-	-	-	1	1	1

Board balance and independence

The Board of Directors of the Group comprises an Executive Chairman, two Executive Directors and three independent non-executive Directors Their biographical details on pages 20 to 21, demonstrate the range of experience and judgement they bring to bear on Board matters The Board is satisfied that the Executive and non-executive elements of the Board are well balanced, that no individual or Group is or has been in a position to dominate the Board's decision making and that there is a substantial degree of independence and diversity

All of the non-executive Directors are considered by the Board to be independent of management All non-executive directors are free from any business or other relationship which could materially interfere with the exercise of their judgement

Related party transactions are listed in note 27

Having considered the position of each non-executive Director, the Board is of the view that no current interests or prior interests of the non-executive Directors will either influence or prejudice their objective and independent judgement or their ability to act in the best interests of the Group

The Board is satisfied that each of the non-executive Directors commits sufficient time to the fulfilment of their duties as a Director of the Group

The Board has established a framework for the induction of all newly appointed Directors which includes the provision of corporate information and meetings with Directors and members of the senior executive team

Board committees

The Board has established a number of standing committees and has delegated certain responsibilities to each of those committees The principal Board committees are the Remuneration, Audit and Nomination Committees

Remuneration Committee

The membership and a summary of the terms of reference of the Remuneration Committee can be found in the Remuneration report on page 33

Audit Committee

During the year the membership of the Committee comprised Ben Mingay (Chairman), Bernard Cragg and Henrietta Marsh The members of the Committee are considered by the Board to be independent non-executive Directors

Role of the Audit Committee

The Board has delegated to the Committee responsibility for overseeing, on behalf of the Board, the financial reporting and internal control of the Group

To this end, the Committee is responsible for

- Reviewing the form and content and monitoring the integrity of the Group's financial statements
- Reviewing the effectiveness of the Group's system of internal control (including financial, operation and compliance controls and risk management)
- Selecting and recommending to the Board the appointment, re-appointment or removal of the external auditors
- Reviewing the independence and objectivity of the external auditors and the effectiveness of the audit process
- Approving the remuneration and terms of engagement of the external auditors

- Approving and subsequently reviewing a policy of engagement on the appointment of auditors to supply non-audit services
- Agreeing annually with the auditors the nature and scope of the audit process

Audit Committee meetings

The Committee met on four occasions during the financial year

Attendees at Committee meetings held included Chief Financial Officer, Chief Executive Officer, Group Financial Controller and representatives of the internal and external auditors All of these attended at the invitation of the Chairman of the Committee

On two of the four occasions the Committee met with the Group's external auditors in the absence of executive management

Main activities of the Audit Committee in the year to 30 September 2015

The principal issues addressed by the Committee during the year were

- The external auditors' year-end report for 2014, the review of the Group's preliminary results and annual report disclosures
- The external audit plan for the 2015 financial statements which included a review of the audit objectives, scope, timetable, deliverables and audit fee
- The Group's risk management process
- The re-appointment of PricewaterhouseCoopers LLP as external auditors
- The Group's internal audit activities and the effectiveness of internal controls, including the consideration of the internal auditors' findings and recommendations and the external auditors' observations on internal financial controls arising from their annual audit and interim review
- The Group's internal processes and systems
- Risks and Controls of the Group's recent acquisitions
- The appropriateness of the Group's whistle-blowing policy

Independence of external auditors

The Committee has adopted a policy on non-audit services designed to ensure that the provision of such services by the external auditors does not impair the auditors' objectivity and independence The policy is based on the ICAEW Guidance for Audit Committees and defines both the type and value of services that require prior authorisation of the Committee and the services that the external auditor is prohibited from providing The Committee annually reviews all non-audit services provided by the external auditors to ensure compliance with the policy The Committee remains satisfied with the objectivity and independence of the Group's external auditors

PricewaterhouseCoopers LLP have been the Company's auditors since 2000, ten years of which has been as auditors of a listed company (The Group listed in 2005) The Audit Committee manages the relationship with the external auditors on behalf of the Board It considers the re-appointment of the external auditors each year, as well as remuneration and other terms of engagement, and makes a recommendation to the Board The last competitive audit review was in 2008, when PricewaterhouseCoopers LLP were re-appointed by the Board on the recommendation of the Audit Committee There are no contractual obligations that restrict the Audit Committee to recommend a particular firm for appointment as auditor

Non-audit services provided by Auditors

The Group's external auditors may not provide any non-audit service that pose a significant threat to the auditors' objectivity or independence The Group's auditors have confirmed that they are independent and do so on an annual basis During the year, with the approval of the Audit Committee, the Corporate Finance team of PricewaterhouseCoopers LLP, who are also the Group's auditors, provided services into certain non-recurring project work to the Group The fee in respect of this work was £73,350 An analysis of the fees paid to PricewaterhouseCoopers LLP during 2015 can be found in note 5 to the financial statements

Whistle blowing

The Audit Committee has reviewed arrangements for whistle-blowing and has put a policy in place The policy encourages a culture of openness and seeks to reassure employees that by reporting issues of concern they will not suffer victimisation or detriment Employees are required to raise issues in the first instance with their line manager or, if this is a problem, with the Human Resources Director or in exceptional cases with the Chief Executive Officer or Chairman of the Audit Committee The Group is committed, whenever appropriate, to investigate fully any concern raised in a timely manner and where an investigation confirms wrongdoing to take the necessary disciplinary or legal action The Group will, wherever possible and without infringing confidentiality, keep the "whistleblower" informed of the outcome of enquiries and decisions taken with regard to the matter Guidance is also given to raising matters externally

Nomination Committee

During the year, the membership of the Committee comprised Bernard Cragg (Chairman), Henrietta Marsh and Ben Mingay The members of the Committee are considered by the Board to be independent non-executive Directors

During the year, the Committee met on one occasion and the Executive Chairman was invited to attend The Committee meets as necessary to make recommendations to the Board on all new Board appointments and to consider executive and Board succession planning The Committee has written terms of reference which are available from the Company Secretary

Internal control

The Directors are responsible for the Group's system of internal controls and for maintaining and reviewing its effectiveness The Group's systems and controls are designed to safeguard the Group's assets and to ensure the reliability of information used within the business and for publication

Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss The key features of the internal control systems, which operated throughout the period covered by the financial statements and to the date of signing the financial statements, are described below

The Board has put in place an organisation structure with clearly defined lines of responsibility and delegation of authority to executive management Individuals are formally made aware of their level of authority The Group appoints experienced and professional staff of the necessary calibre to fulfil their allotted responsibilities

Executive managers are required to produce a business plan for approval by the Board prior to the beginning of each financial year and detailed financial forecasts are formally produced during the year and reviewed by the Board

Management accounts are produced each month and the financial results are measured against the business plan to identify any significant variations The Board discusses financial and operational performance at its monthly meetings

The Group has a small internal audit function whose responsibilities include ensuring that internal controls are complied with The Group's internal controls framework is reinforced by subsidiaries having successful certification to ISO27001 2013 Information Security Management, ISO9001 2008 Quality Management, ISO 22301 2012 Business Continuity Management, ISO 20000 2011 IT Services Management, ISO14001 2004 Environmental Management, and CHAS a nationally recognised Health & Safety accreditation During the year twenty two external ISO audits were conducted by the British Standards Institute

The Group's procedure for approving and controlling capital expenditure and investment appraisal requires approval of initial capital expenditure in the budgets by the Board Approval of budgeted capital expenditure projects is made at various levels of senior management including the Board where required

Throughout the year, the Group conducts an ongoing risk management evaluation process covering both financial and non-financial risks This involves senior management and executive Directors identifying areas of perceived risk and the existing control mechanisms in place to monitor those risks Through a series of management workshops, attended by all executive Directors and senior executives, the Board has reached consensus on those risks facing the Group that are considered business critical The Group has implemented, and continues to implement, actions intended to manage and mitigate those key risks During 2015, the Board will continue to review its risks and implement the necessary mitigating steps as those risks evolve and change

Financial reporting

A review of the performance and financial position of the Group is included in the Financial Review on pages 10 to 19 The Board uses this, together with the Chairman's statement and the Directors' report, to present a balanced and clear assessment of the Group's position and prospects

Relations with shareholders

The Board is committed to and recognises the importance of effective communication with shareholders Ongoing communication is achieved mainly through the publication of the annual and interim reports, trading statements, the announcement of significant developments within the Group and the Annual General Meeting

In addition to regular financial reporting, significant matters relating to trading or the development of the business are released to the market by way of Stock Exchange announcements

The Board is responsible for ensuring that dialogue with shareholders takes place and is based on a mutual understanding of objectives A series of meetings and presentations take place during the year with institutional investors to review the Group's performance and prospects These presentations are made available via the Company's website

The Annual General Meeting provides shareholders with an opportunity to meet the Chairman and other Directors, receive an update on the development of the business and to ask questions of the Board The Annual Report and financial statements and the Notice of Annual General Meeting are sent to shareholders at least 21 days prior to the date of the Annual General Meeting Shareholders have the opportunity to vote on each substantially different issue by the proposal of a separate resolution for each item of business The results of the proxy votes received by the Group, including abstentions, are declared at the meeting, following votes by shareholders on a show of hands

Bernard Cragg
Senior Independent Director and Deputy Chairman
8 December 2015

Remuneration Report

Scope of the report

The Remuneration Report summarises the Remuneration Committee's activities during the year, the outcomes for Directors' remuneration and the Group's remuneration policy The report also describes how the Group applies the principles of good corporate governance in relation to Directors' remuneration This report is not mandatory for companies listed on the AIM but has been voluntarily included as a matter of best practice

THE REMUNERATION COMMITEE

The Remuneration Committee is appointed by the Board and comprises only non-executive Directors The Committee meets regularly to determine, on behalf of the Board, the framework of executive remuneration

During the year, the membership of the Committee comprised Henrietta Marsh (Chairman), Bernard Cragg, Ben Mingay The members of the Committee are considered by the Board to be independent non-executive Directors

The Committee's terms of reference are reviewed regularly and approved by the Board These are available for inspection at the Group's registered address The members of this Committee do not have any conflicts from cross-directorships that relate to the business of the Committee The members do not have any day to day involvement in the running of the Group

During the year the Committee met on four occasions

To assist the work of the Committee, the views of the Chairman, the Chief Executive Officer, Chief Financial Officer and Human Resources Director are also invited where appropriate These individuals did not however participate in any decision related to their own remuneration

Where appropriate, the Committee seeks the advice of its remuneration consultants, Kepler Associates and if significant changes to policy are proposed, larger shareholders are consulted During the year a new share scheme, the Long Term Retention Plan was implemented which is described in greater detail below Prior to this, larger shareholders were consulted, and as a result of comments received, a number of additional disclosures are being made in this report

During the year, the Committee also considered the terms relating to the resignation of the CEO and the appointment of his successor These are set out in greater detail below

DIRECTOR REMUNERATION OUTCOMES

Directors' remuneration

	Salary and fees paid or receivable £	Bonus paid or receivable £	Pension contributions £	Other benefits £	2015 total £	2014 total £
James Murray	299,800	-	-	3,180	**302,980**	321,973
Edward Spurrier	410,008	-	50,000	4,015	**464,023**	674,613
Gavin Griggs	238,000	120,929	22,800	2,763	**384,492**	401,981
Mark Quartermaine	285,000	48,903	27,500	3,105	**364,508**	180,859
Ben Mingay	37,723	-	-	-	**37,723**	34,675
Henrietta Marsh	34,000	-	-	-	**34,000**	10,723
Bernard Cragg	50,000	-	-	-	**50,000**	50,000
Totals	**1,354,531**	**169,832**	**100,300**	**13,063**	**1,637,726**	1,674,824

Edward Spurrier stepped down as Chief Executive Officer on 30 September 2015 In addition to the amounts in the table an additional amount of £302,209 was paid following the year ended 30 September 2015 in respect of bonus for the year and other compensatory payments

Directors' share options in Alternative Networks plc

	Option scheme	Options at 30/09/14 Number	Awarded in year Number	Options Exercised Number	Options Forfeited Number	**Options at 30/09/15 Number**	Option price £	Exercise dates	Performance Criteria
Edward Spurrier	LTIP	139,366	-	-	-	**139,366**	nil	07-Feb-16	EPS/OCF
Edward Spurrier	LTIP	91,721	-	-	91,721	-	nil	31-Dec-16	EPS/OCF
Edward Spurrier	LTRP	-	96,000	-	96,000	-	nil	04-Feb-18	EBITDA/FCF/EPS
Mark Quartermaine	LTIP	43,536	-	-	-	**43,536**	nil	11-Jun-17	EPS/OCF
Mark Quartermaine	LTRP	-	67,000	-	26,130	**40,870**	nil	04-Feb-18	EBITDA/FCF/EPS
Gavin Griggs	LTIP	34,920	-	-	-	**34,920**	nil	17-Jun-16	EPS/OCF
Gavin Griggs	LTIP	52,412	-	-	-	**52,412**	nil	31-Dec-16	EPS/OCF
Gavin Griggs	LTIP	15,000	-	-	-	**15,000**	nil	11-Jun-17	EPS/OCF
Gavin Griggs	LTRP	-	55,000	-	21,450	**33,550**	nil	04-Feb-18	EBITDA/FCF/EPS

Zero options vested during the year and the aggregate amount of gains made by directors on the exercise of share options was £nil (2014 £nil) There were no directors (2014 none) who exercised share options during the year

A description of the LTIP and LTRP schemes is given on page 38 to 39 The LTIP options granted in 2013 have performance criteria based on adjusted EPS growth and adjusted operating cash flow over the 3 years to 30 September 2015 Based on performance during that period, 98% of the options will be exercisable on the relevant date

The LTRP options granted in 2015 can be exercised three years after the grant date if the option holder is still an employee of the Group and performance criteria relating to adjusted EBITDA and adjusted free cash flow have been met The adjusted EBITDA performance range for 2015 was £20 1m to £26 0m and the adjusted free cash flow range (adjusted for strategic capital expenditure) was £12 0m to £18 4m Options granted to executive directors are shown above, and an additional adjusted EPS underpin criteria exists, equal to 4% compound growth over 3 years from 2014's base level of 26 9p If the EPS and employment criteria are met, 59% of the options will vest based on 2015 performance, as shown in the table above

Non-executive Directors' remuneration

The remuneration of the non-executive Directors is determined by the Board on the recommendation of the Executive Chairman on an annual basis and takes into account market rates based on independent advice, as required The non-executive Directors concerned do not participate in this process

Ben Mingay and Henrietta Marsh have fixed one year appointments until the Company AGM in January 2017 Bernard Cragg has a fixed three year appointment until the Company AGM in January 2019 The appointments may be terminated by either party giving three months' notice at any time without compensation

Henrietta Marsh receives a fee of £40,000 per annum with no pension, bonus, benefits or share options, Ben Mingay receives a fee of £45,000 per annum with no pension, bonus, benefits or share options and Bernard Cragg receives a fee of £60,000 per annum with no pension, bonus, benefits or share options The non-executive Directors do not participate in any incentive, pension or benefit scheme

REMUNERATION POLICY

The Group is committed to the governing objective of maximising shareholder value over time Each year the remuneration framework and the packages of the Directors are reviewed to ensure they continue to achieve this objective If significant changes to the remuneration policy are proposed, larger shareholders will be consulted and shareholders will be informed if significant changes are implemented

The Company operates in large competitive markets with areas of significant growth potential The Directors believe that in this environment, the Group's employees are a key source of competitive advantage and they recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, develop and retain employees of the highest calibre

The key features of remuneration and the policy for each element of the packages for Executive Directors are shown in the table

Remuneration policy table

Element of remuneration	Purpose and link to strategy	Policy and approach	Opportunity 2015/16	Change of policy in 2015?
Base Salary	To pay a competitive level of fixed remuneration, taking into account experience and personal contribution to the Company's strategy Intended to attract and retain the talent required to execute the strategy	Typically, reviewed no more than annually Salary increases will normally be in line with pay review levels across the whole company unless reviews referencing companies of similar size and complexity suggest increases are required	Basic salaries for executive directors were reviewed with effect from 1 October 2015 and now stand at £299,800 for James Murray, £330,000 for Mark Quartermaine and £245,000 for Gavin Griggs Increases for the CEO and CFO reflected the changes in roles following the change of CEO The next review is expected to be no earlier than 1 October 2016	No
Annual Bonus	To motivate executives to maximise short term performance and drive specific initiatives which support long-term value creation	Performance metrics, targets and weightings are reviewed and agreed annually, with due regard to market conditions whilst ensuring targets are sufficiently stretching The primary performance measure is adjusted EBITDA Performance is assessed by reference to Group financial performance	CEO/CFO On target bonuses range from 50% to 75% of base salary with a maximum of 100% Executive Chairman None	No
Benefits	Complements basic salary in providing market competitive benefits to attract and retain executives	Company car allowance, private medical insurance, life insurance and income protection	N/A	No
Pension	To attract and retain executives, by providing an opportunity to build up a provision for income on retirement	Company contributes to a defined contribution pension scheme, or pays a cash allowance in lieu of pension	CEO/CFO Company contribution of up to 10% of basic salary Executive Chairman None	No
Long Term Retention Plan	Aligns executives' interests with shareholders to encourage long term value creation and to motivate and retain executives	Three year retention period All awards vest based on adjusted EBITDA, adjusted cash flows over a one year period and adjusted EPS over the three year period Awards lapse if the executive leaves as a 'bad leaver'	CEO/CFO Up to 110% of base salary Executive Chairman None	No

Shareholding guidelines

The Company does not have formal shareholding guidelines for executive directors, given the substantial holding of the Executive Chairman and his family Nevertheless, the executive directors have increased their holdings during the year as set out below

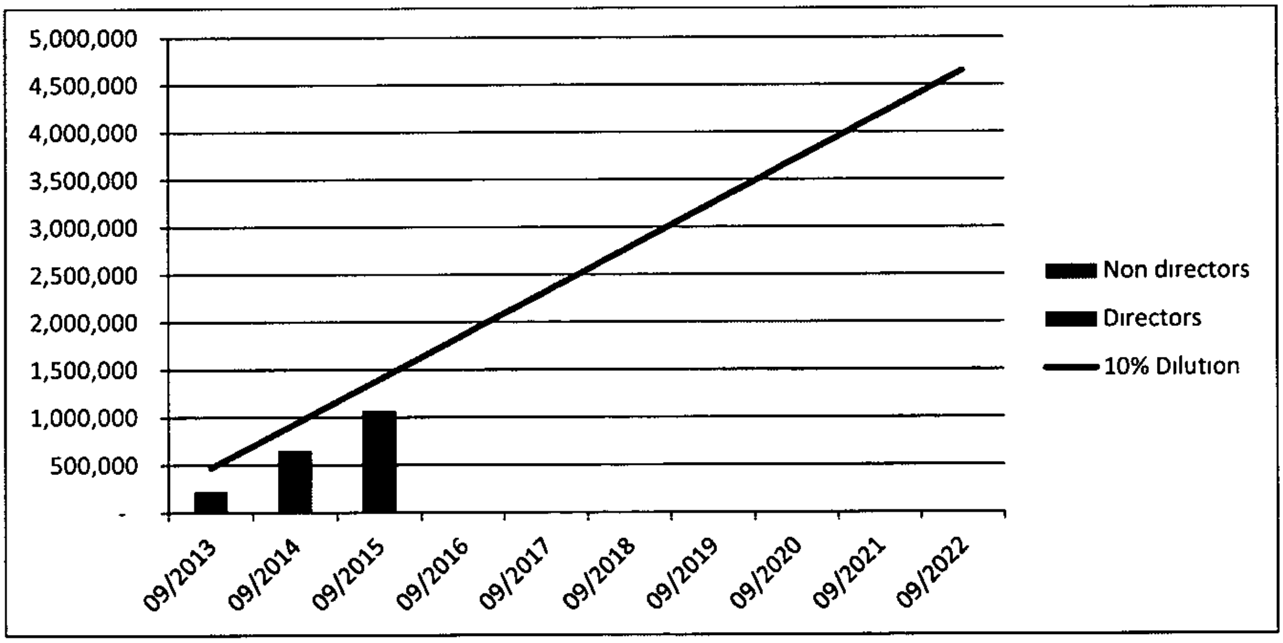
Directors' interests in the ordinary shares of Alternative Networks plc

	2015 Number of shares	2014 Number of shares
James Murray and family	14,344,488	15,016,823
Mark Quartermaine and family	2,803	-
Gavin Griggs and family	3,831	3,495
Bernard Cragg and family	35,000	35,000

The market value of the company's ordinary shares at 30 September 2015 was 522p (2014 473p) and the range of market prices during the year was 420p to 541p (2014 380p to 600p)

Maximum dilution limits

The Company's policy is that dilution to shareholders from the awards made since February 2013 under any share scheme should not exceed 10% The dilution that arises from such awards is shown in the chart below, split between director and staff contributions



Outstanding options by scheme

Date of Grant	Scheme	Exercise price (pence)	Exercise period	30 September 2015	30 September 2014
18 January 2006	EMI	102 5	2008-2016	-	10,326
17 January 2007	EMI	150 5	2009-2017	**18,388**	35,711
3 July 2008	EMI	135 5	2011-2018	**7,380**	7,380
8 February 2013	LTIP 2013	nil	2016-2026	**139,366**	139,366
18 June 2013	LTIP 2013	nil	2016-2026	**82,539**	82,539
12 June 2014	LTIP 2014	nil	2017-2027	**366,469**	458,190
4 February 2015	CSOP 2015	490	2018-2025	**18,510**	-
4 February 2015	LTRP 2015	nil	2018-2025	**468,990**	-
26 March 2015	CSOP 2015	479	2018-2025	**29,360**	-
26 March 2015	LTRP 2015	nil	2018-2025	**89,840**	-
				1,220,842	733,512

Employee Benefit Trust ('EBT')

An EBT was established in the year ended 30 September 2005, when three former directors were each awarded interests in 638,400, 0 125p ordinary shares in the Company held by the EBT These shares were held on trust subject to the trustees obligation to settle the loan from the Company used to acquire the shares (equivalent to £277,000 each) During the year Edward Spurrier settled his loan due to the Company and the associated 638,400 shares were transferred to him

Share option plans

During the year the Company has set up a new HMRC-approved all employee Share Incentive Plan (SIP) Employees may purchase new shares with the award of free matching shares under a two to one ratio up to a maximum of £1,800 total contribution per annum Matching Shares are subject to a three year holding period and may be forfeited in certain circumstances during this time The executive directors are eligible to participate in the scheme

The Group's EMI scheme was adopted on 22 December 2004 Under the Group's EMI Scheme, options which are qualifying options under the Enterprise Management Incentive regime and also unapproved options may be granted

An EMI scheme was established on 18 January 2006 (EMI 2006) As at 30 September 2015, options were outstanding over nil ordinary shares (2014 10,326) under this scheme

A second EMI scheme was established on 17 January 2007 (EMI 2007) As at 30 September 2015, options were outstanding over 18,388 ordinary shares (2014 35,711) under this scheme

A third EMI scheme was established on 3 July 2008 (EMI 2008) As at 30 September 2015, options were outstanding over 7,380 ordinary shares (2014 7,380) under this scheme

As at 30 September 2015 options were outstanding over a total of 25,768 ordinary shares (2014 53,417) under all three EMI schemes

Options under the EMI 2006 scheme are currently exercisable based on the conditions that the option holder is still an employee of the Group and that the Group had achieved certain performance criteria in the period 1 October 2005 to 30 September 2008 The exercise price is £1 025 per share which was the market value at the date of the grant During the year ended 30 September 2015, there were 10,326 options exercised (2014 9,905) and 5,318 options lapsed (2014 nil)

Options under the EMI 2007 scheme are currently exercisable based on the conditions that the option holder is still an employee of the Group and the Group has achieved certain performance criteria in the period 1 October 2006 to 30 September 2009 The exercise price is £1 505 per share which was the market value at the date of the grant During the year ended 30 September 2015, there were 17,323 options exercised (2014 15,972) and 500 options lapsed (2014 2,145)

Options under the EMI 2008 scheme are currently exercisable based on the conditions that the option holder is still an employee of the Group and certain performance criteria have been met in the period 3 July 2008 to 2 July 2011 The exercise price is £1 355 per share which was the market value at the date of the grant During the year ended 30 September 2015, there were nil options exercised (2014 nil) and nil options lapsed (2014 14,760)

A long term incentive plan ("LTIP") was established on 8 February 2013 Under the plan, nil cost options are typically awarded annually and they can be exercised three years after the grant date if the option holder is still an employee of the Group and certain performance criteria have been met On 12 June 2014, the Group issued further options as part of the long term incentive plan (LTIP 2014) There were 588,374 outstanding at 30 September 2015 (2014 680,095) Options granted to executive directors are shown above

On 4 February 2015 the Group granted a series of 22,830 shares under a newly formed Company share option plan ("CSOP 2015") followed by a further series of 29,560 options on 26 March 2015 The options can be exercised three years after the grant date if the option holder is still an employee of the Group and certain performance criteria have been met There were 47,870 CSOP 2015 options outstanding at 30 September 2015 (2014 nil) Options granted to executive directors are shown above

On 4 February 2015 the Group granted a series of 589,670 shares under its newly formed long term retention plan ("LTRP 2015") followed on 26 March 2015 by a further series of 90,440 options The options can be exercised three years after the grant date if the option holder is still an employee of the Group and certain performance criteria have been met There were 558,830 LTRP 2015 options outstanding at 30 September 2015 (2014 nil)

Service agreements

Each of the Executive Directors has a Service Agreement with the Group These are rolling agreements which can be terminated by either party giving at least six months' notice in writing at any time If the Group terminates the contract by notice, other than full notice, the Service Agreements provide for the payment of the fixed amount equal to the salary and other contractual benefits for the unexpired proportion of the duration of the appointment or entitlement to notice, as the case may be It is the Committee's view that they should not change the term of the existing Directors' Service Agreements

Signed by and approved on behalf of the Board

Henrietta Marsh
Chairman of the Remuneration Committee
8 December 2015

Statement of directors' responsibilities in respect of the annual report and the financial statements

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 year 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 IFRSs as adopted by the European Union 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

Gavin Griggs
Company Secretary and Chief Financial Officer
8 December 2015

Independent auditors' report to the members of Alternative Networks plc

Report on the group financial statements

Our opinion

In our opinion

- Alternative Networks 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 30 September 2015 and of the group's profit and the group's and the company's cash flows for the year then ended,

- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union,

- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

The financial statements comprise

- the consolidated and company statements of financial position as at 30 September 2015,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated and company statements of cash flows for the year then ended,
- the consolidated and company statements 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 applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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 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

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 40, 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

JS Jenkins

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 December 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2015

	Note	Year ended 30 September 2015 £'000	Year ended 30 September 2014 (Restated) £'000
Revenue	3	**146,816**	134,413
Cost of sales	4	**(86,113)**	(79,101)
Gross profit		**60,703**	55,312
Operating costs	4	**(45,603)**	(43,772)
Operating profit	5	**15,100**	11,540

Operating profit - analysed:			
Adjusted operating profit	28	**19,194**	17,593
Share based payments	26	**(1,309)**	(510)
Amortisation of intangible assets (excluding computer software)	12	**(3,698)**	(3,496)
Income from property exit	28	**3,299**	-
Restructuring, acquisition and associated costs	28	**(2,386)**	(2,047)
Operating profit		**15,100**	11,540

Finance income	7	**3**	25
Finance costs	8	**(1,297)**	(1,202)
Profit before taxation		**13,806**	10,363
Taxation	9	**(2,339)**	(2,285)
Profit and total comprehensive income for the year		**11,467**	8,078
Earnings per ordinary share.			
Basic	11	**23 8p**	16 9p
Diluted	11	**23.3p**	16 6p

The notes on pages 50 to 81 are an integral part of these consolidated financial statements

The Company has elected to take the exemptions under section 408 of the Companies Act 2006 not to present the Parent Company's statement of comprehensive income The Parent Company's profit for the financial year was £7,301,000 (2014 £8,331,000)

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 30 September 2015

	Notes	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
ASSETS					
Non-current assets					
Intangible assets	12	**73,166**	76,745	**3,251**	3,436
Property, plant and equipment	13	**4,917**	2,319	**2,877**	563
Investments	14	-	-	**78,599**	78,599
Deferred tax asset	15	**559**	1,446	-	337
Property deposits		**280**	154	-	-
		78,922	80,664	**84,727**	82,935
Current assets					
Asset held for sale	16	-	1,401	-	1,401
Inventories	17	**1,293**	327	-	2
Trade and other receivables	18	**28,288**	26,788	**10,782**	13,152
Cash and cash equivalents	19	**2,362**	3,793	**467**	720
		31,943	32,309	**11,249**	15,275
Total assets		**110,865**	112,973	**95,976**	98,210
EQUITY AND LIABILITIES					
Equity					
Called up share capital	20	**62**	62	**62**	62
Share premium		**6,600**	6,563	**6,600**	6,563
Capital redemption reserve		**8**	8	**8**	8
Merger reserve		**2,749**	2,749	-	-
Retained earnings		**33,249**	27,728	**33,392**	32,314
Total equity		**42,668**	37,110	**40,062**	38,947
Current liabilities					
Borrowings	22	**6,598**	5,111	**6,598**	5,111
Current tax liabilities		**2,211**	1,146	**1,371**	679
Trade and other payables	21	**41,201**	37,079	**33,206**	25,503
		50,010	43,336	**41,175**	31,293
Non-current liabilities					
Borrowings	22	**14,500**	27,970	**14,500**	27,970
Deferred tax liabilities	15	**3,687**	4,557	**239**	-
		18,187	32,527	**14,739**	27,970
Total liabilities		**68,197**	75,863	**55,914**	59,263
Total equity and liabilities		**110,865**	112,973	**95,976**	98,210

The notes on pages 50 to 81 are an integral part of these consolidated financial statements
The Company registration number is 02888250

The financial statements on pages 44 to 81 were approved by the Board of Directors on 8 December 2015 and were signed on its behalf by

Mark Quartermaine
Chief Executive Officer
8 December 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital a) £'000	Share premium b) £'000	Capital redemption reserve c) £'000	Merger reserve d) £'000	Retained earnings £'000	Total equity £'000
Balance at 30 September 2013	**62**	**6,534**	**8**	**2,749**	**25,783**	**35,136**
Shares issued	-	29	-	-	-	29
IFRS2 share based payments	-	-	-	-	419	419
Deferred tax on share options	-	-	-	-	12	12
Profit for the year and total comprehensive income	-	-	-	-	8,078	8,078
Dividends paid	-	-	-	-	(6,564)	(6,564)
Balance at 30 September 2014	**62**	**6,563**	**8**	**2,749**	**27,728**	**37,110**
Shares issued	-	37	-	-	-	37
Reissue of shares by the trust	-	-	-	-	277	277
IFRS2 share based payments	-	-	-	-	1,078	1,078
Deferred tax on share options	-	-	-	-	4	4
Profit for the year and total comprehensive income	-	-	-	-	11,467	11,467
Dividends paid	-	-	-	-	(7,305)	(7,305)
Balance at 30 September 2015	**62**	**6,600**	**8**	**2,749**	**33,249**	**42,668**

The notes on pages 50 to 81 are an integral part of these consolidated financial statements

a) The balance classified as share capital includes the proceeds arising on issue of the Company's equity share capital, comprising 0 125p ordinary shares and the cancellation of shares purchased during the year

b) Share premium represents the difference between the fair value consideration received and nominal value of shares issued

c) Capital redemption reserve arose from the purchase of own share capital

d) The merger reserve results from the previous acquisitions of Integrated Communications for Business (UK) Limited, Aurora Kendrick James Limited, Scalable Communications plc and The Telecom Centre Limited This represents the difference between the value of the shares acquired (nominal value plus related share premium) and the nominal value of the shares issued

COMPANY STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 September 2013	**62**	**6,534**	**8**	**30,116**	**36,720**
Share issued	-	29	-	-	29
IFRS2 share based payments	-	-	-	419	419
Deferred tax on share options	-	-	-	12	12
Profit for the year and total comprehensive income	-	-	-	8,331	8,331
Dividends paid	-	-	-	(6,564)	(6,564)
Balance at 30 September 2014	**62**	**6,563**	**8**	**32,314**	**38,947**
Share issued		37			37
IFRS2 share based payments	-	-	-	1,078	1,078
Deferred tax on share options	-	-	-	4	4
Profit for the year and total comprehensive income	-	-	-	7,301	7,301
Dividends paid	-	-	-	(7,305)	(7,305)
Balance at 30 September 2015	**62**	**6,600**	**8**	**33,392**	**40,062**

The notes on pages 50 to 81 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2015

	Notes	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Cash flows from operating activities			
Cash generated from operations	24	**21,879**	16,167
Income tax paid		**(1,247)**	(1,376)
Net cash generated from operating activities		**20,632**	14,791
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(4,020)**	(846)
Purchase of intangible assets	12	**(1,295)**	(1,230)
Proceeds from sale of property, plant and equipment		**3,800**	-
Interest received		**3**	25
Purchase of subsidiary undertakings (net of cash acquired)		**-**	(50,880)
Net cash used in investing activities		**(1,512)**	(52,931)
Cash flows from financing activities			
Interest paid		**(1,298)**	(1,070)
Dividends paid	10	**(7,305)**	(6,564)
Proceeds from issue of share capital		**37**	29
Transaction costs in relation to loan facility		**-**	(724)
Proceeds from borrowings		**-**	35,000
Repayments of borrowings		**(11,985)**	(2,668)
Net cash (used in)/received from financing activities		**(20,551)**	24,003
Decrease in cash and cash equivalents		**(1,431)**	(14,137)
Cash and cash equivalents at start of year	19	**3,793**	17,930
Cash and cash equivalents at end of year	19	**2,362**	3,793

The notes on pages 50 to 81 are an integral part of these consolidated financial statements

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 September 2015

	Notes	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Cash flows from operating activities			
Cash generated from operations	24	**20,573**	20,789
Income tax paid		**(773)**	(1,129)
Net cash generated from operating activities		**19,800**	19,660
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(2,558)**	(378)
Purchase of intangible assets	12	**(766)**	(1,081)
Proceeds from sale of property, plant and equipment		**3,800**	-
Interest received		**3**	25
Purchase of subsidiary undertakings (net of cash acquired)		**-**	(51,773)
Net cash received from/(used in) investing activities		**479**	(53,207)
Cash flows from financing activities			
Interest paid		**(1,295)**	(1,070)
Dividends paid	10	**(7,305)**	(6,564)
Proceeds from issue of share capital		**37**	29
Transaction costs in relation to loan facility		**-**	(724)
Proceeds from borrowings		**-**	35,000
Repayments of borrowings		**(11,969)**	(2,094)
Net cash (used in)/received from financing activities		**(20,532)**	24,577
Decrease in cash and cash equivalents		**(253)**	(8,970)
Cash and cash equivalents at start of year	19	**720**	9,690
Cash and cash equivalents at end of year	19	**467**	720

The notes on pages 50 to 81 are an integral part of these consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Alternative Networks plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 The address of the registered office is 5th Floor, 240 Blackfriars Road, London SE1 8NW The shares of the Company are listed on the Alternative Investment Market

2 Accounting policies

Statement of compliance and basis of preparation

The Group's financial statements have been prepared in accordance with IFRS as adopted by the EU and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention The consolidated financial statements have been prepared on a going concern basis Further detail is included within the Report of the Directors

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Group's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below

The principal accounting policies adopted 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

The functional currency of the Company is Pounds Sterling (GBP) as that is the currency of the primary economic environment in which the Group operates These financial statements are presented in Pounds Sterling (GBP)

The Group offers discounts to Mobile customers which have previously been treated as adjustments to cost of sales due to the nature of the incentive written into contractual agreements In light of changes in the contractual agreements these amounts are now treated as adjustments to revenue This change has resulted in a reduction in revenue and a corresponding reduction in cost of sales in the current year of £4 3m Separately, in order to bring the basis of reported margins in the Telephony Services segment in line with the Advanced Solutions segment, certain costs have been reclassified from operating costs to cost of sales, resulting in an increase in cost of sales in the current year of £1 4m

In order to aid the comparability of amounts included in these financial statements, adjustments to revenue and cost of sales of £3 4m and £1 5m have been applied to the comparative year for discounts to customers and cost reclassification respectively Accordingly, operating costs have been reduced by £1 5m There are no earnings per share or equity impacts arising from these adjustments in any period presented in these financial statements

New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year that had a material impact on the Group

New standards and interpretations not yet adopted and not relevant to the Group's operations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2015, and have not been applied in preparing these consolidated financial statements None of these will materially impact the consolidated financial statements of the Group

IFRS 10, 'Consolidated Financial Statements'
IFRS 12, 'Disclosure of Interests in Other Entities'
IFRS 15, 'Revenue from Contracts with Customers'
IAS 27, 'Separate Financial Statements' (revised 2011)
IAS 28, 'Investments in Associates and Joint Ventures' (revised 2011)
Amendment to IAS 32, 'Financial Instruments Presentation, on offsetting financial assets and financial liabilities'
Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities'
Amendment to IFRS 10, 'Consolidated Financial Statements' and IFRS 12 and IAS 27 for investment entities
Amendment to IAS 39, 'Financial Instruments Recognition and measurement' and IFRS 9 'Financial Instruments'

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group

Basis of consolidation

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

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

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured The following specific recognition criteria must also be met before revenue is recognised

Revenue from calls, which excludes value added tax, is recognised in the income statement at the time the call is made Calls made in the year, but not billed by year end are accrued within receivables as accrued income

Revenue from line rentals is recognised in the month that the charge relates to, commencing with a full month's charge in the month of connection Revenue and related costs from the sale of handsets are recognised on the date of despatch

Connection commissions received from mobile network operators are recognised when the customer is connected or on anniversary of connection to the mobile network after providing for expected future clawbacks Mobile commissions in respect of average revenue per user are recognised at the end of the relevant performance period

Revenue and related costs from the sale of accessories are recognised when despatched

Revenue arising from the provision of internet and other services is recognised evenly over the periods in which the service is provided to the customer

Hardware revenue and related expenditure is recognised upon despatch for the sale of equipment Installation revenue and related expenditure is recognised upon completion of work for systems installations Maintenance income in respect of systems is recognised evenly over the period to which it relates

Connection revenue received from customers is recognised when the customer is connected to the network

Corporate support revenue (discretionary bonuses received from network providers in relation to a new connection) is recognised in line with the recognition of the associated hardware allowance / account credit in cost of sales i e the revenue is recognised on the date of connection and is partially deferred in proportion to the deferred element of hardware allowance / account credit

Revenue from customer management services is recognised in the same month as revenue for the managed services (e g usage, line rental, connections) Where Alternative Networks carries credit risks, gross fees received from customers are recognised in revenue with fees passed to the network provider being recognised in expenses Where the network provider carries credit risks, only net management fees are recognised in revenue

Revenue from compensation for breach of contract is recognised when it is paid by the customer

Billing services income and related costs are recognised in the month of service

Revenue earned from consultancy is recognised upon the percentage of completion of the project

Foreign currencies

Transactions denominated in foreign currency are translated at exchange rates prevailing at the transaction date Monetary assets and liabilities are translated at exchange rates prevailing at the year-end date Any gains or losses arising on exchange are reflected in the statement of comprehensive income

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful lives of the asset as follows,-

Building element of long leaseholds	2% per annum
Leasehold improvements	over the lease term
Plant and equipment	20% - 33% per annum
Motor vehicles	25% per annum

The useful economic lives and residual values attributable to each class of asset are reviewed and adjusted if appropriate at each balance sheet date

The carrying values of property, plant and equipment are reviewed for impairment at each balance sheet date and when events or changes in circumstances indicate the carrying value may not be recoverable If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount

An item of property, plant and equipment is removed upon disposal or when no future economic benefits are expected to arise from the continued use of the asset Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised

Land is not depreciated and is held at historical cost

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term

Intangible assets

Goodwill is accounted for by recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value Goodwill is initially measured at cost, being the excess of the fair value of payments made, assets transferred and future payments, over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities The results of the acquired entities are included in the Group's results from the date when control of the Company passes to the Group Goodwill is valued at cost less accumulated impairment

Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill allocated to a cash generating unit may be impaired Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised

Purchased customer contracts are capitalised at cost and amortised on a straight line basis over their estimated useful economic life, from the date of acquisition, as considered reasonable by the Directors

Software and software licences includes computer software that is not integral to a related item of hardware These assets are stated at cost less accumulated amortisation and any impairment in value Amortisation is calculated on straight-line basis over the estimated useful life of the asset

Customer contracts, relationships, technology, order backlog and trade names is the fair value determined by the net present value of the future cash flow benefits anticipated to arise from the intangible assets less accumulated amortisation and impairment losses

Amortisation of intangibles is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets Goodwill is tested systematically for impairment at each annual balance sheet date Other intangible assets are amortised from the date that they are available for use The estimated useful lives are as follows

Customer contracts and relationships acquired on acquisitions	7-10 years
Technology	4 years
Trade name	3 years
Purchased customer contracts	3-5 years
Computer software	3-5 years
Order backlog (included within customer contracts and relationships)	1 year

Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment Investments are tested for impairment at each reporting date or if events indicate that the carrying value has been diminished

Inventories

Inventories are valued at the lower of cost and net realisable value after making allowance for any obsolete or slow moving items Net realisable value is reviewed regularly to ensure accurate carrying values Cost is determined on a first-in-first-out basis and includes transportation and handling costs

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale

Financial assets

The Group classifies its financial assets as loans and receivables which comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet Financial assets are held at amortised cost and management determines the classification of its financial assets at initial recognition The Group assesses at each balance sheet date whether there is objective evidence that financial assets are impaired For loans and receivables categories, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement

Trade and other receivables

Trade receivables, which generally have 14-60 day terms, are initially recognised at fair value and subsequently held at amortised cost A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired The provision is the difference between the asset's carrying amount and the original invoice amount less bad debts written-off The carrying amount of the asset is reduced through the use of the provision and the amount of the loss is recognised in the income statement When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables Subsequent recoveries of amounts previously written off are credited in the income statement

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, in hand and short term deposits with a maturity of three months or less

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires

Trade payables

Trade payables are stated at their nominal value, recognised initially at fair value and subsequently valued at amortised cost

Share capital

Equity instruments issued by the Company are recorded at their nominal value Proceeds received, net of direct issue costs, is split between share capital and share premium

Segmental reporting

Operating segments require identification on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance For further information see note 3 of the financial statements

Current taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

Pensions and other post-employment benefits

The Group operates a defined contribution scheme and contributes to an independent stakeholder pension Contributions are recognised as an expense in the income statement as they become payable in accordance with the rules of the scheme

Employee benefits

In accordance with IAS 19, the Group provides for accrued holiday benefit The cost is measured as the additional amount that the Group expects to pay as a result of the unused holiday entitlement that has accumulated at the balance sheet date

The Group contributes to employees defined contribution pension plans A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity The Group has no legal or constructive obligations to pay further contributions once contributions have been paid The contributions are recognised as an employee benefit expense when they are due

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust ("EBT") have been included in the Group financial statements Any assets held by the EBT cease to be recognised on the Group balance sheet when the assets vest unconditionally in identified beneficiaries The costs of purchasing own shares held by the EBT are shown as a deduction against equity

Share-based payment transactions

The Group's management awards certain employees bonuses in the form of equity-settled, share-based compensation plans on a discretionary basis These options are subject to between two and three-year vesting conditions

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and revenue growth targets) Non-market vesting conditions are included in assumptions about the number of options that are expected to vest At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity In the event of amendments to option schemes the fair value of the scheme is assessed immediately before and after the amendment and any change in the fair value is recognised in the income statement over the remaining vesting period

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised

The Group has applied IFRS2 'Share based payments' and has adopted the Black-Scholes model for the purposes of computing 'fair value' for the EMI schemes

Deferred tax is also provided based upon the expected future tax deductions relating to share based payment transactions and is recognised over the vesting period of the scheme concerned

Customer acquisition costs

The Group defines these as subsidised hardware, free hardware and credits which can be used against equipment or rental/usage billing which the client is entitled to over the life of their fixed term contract These costs are booked in full to the income statement as soon as the customer is entitled to start drawing down on these subsidies, normally when the customers' services commence or a fixed period after commencement, unless otherwise specified in the contract

Impairment of non-financial assets

Assets that have an indefinite useful life such as goodwill are not subject to amortisation and are tested annually for impairment Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders

Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material

Exceptional items

Exceptional items are items of income or expense that are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group due to the significance of their nature or amount

Significant accounting judgements, estimates and assumptions

The key assumptions concerning the present and future key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Impairment of goodwill The Group determines whether goodwill is impaired at least on an annual basis This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit (CGU) and also to choose a suitable discount rate in order to calculate the present value of those cash flows Sensitivity analysis is undertaken on the weighted average cost of capital and the future growth assumptions for the individual CGU's

Deferred tax assets. Deferred tax assets are recognised for timing differences to the extent that it is more likely than not that taxable profit will be available against which the timing differences can be utilised Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies Refer to note 15 where the impact of the change in tax rates is considered

Share based payment. The estimation of the fair value of share options and other equity instruments at the date of their grant requires management to make estimates concerning the number of employees likely to exercise together with the expected volatility of, and dividends payable on the underlying shares and the time at which employees are likely to exercise vested options

Receivables. Receivables are recognised to the extent that they are judged recoverable Management reviews are performed to estimate the level of provision required for irrecoverable debt Provisions are made specifically against invoices where recoverability is uncertain

Value of intangibles. The valuation of intangibles on acquisition requires management estimates and judgements in relation to the valuation of separately identifiable assets and contingent liabilities

3 Segmental information

IFRS 8, "Operating Segments" requires identification of the Group's segments on the basis of the internal reporting about components of the Group that is regularly reviewed by the chief operating decision maker to allocate resources and to assess performance

The chief operating decision maker has been identified as the Board The Board reviews the Group's internal reporting in order to assess performance and allocate resources The Board assesses the performance of the operating segments based on revenue and gross profit The reportable segments of the Group are Telephony Services and Advanced Solutions

Telephony Services consists of the Group's Fixed Voice and Mobile Voice services Advanced Solutions includes the installation and maintenance of telephone systems, the integration of computer networks, the provision of managed hosting solutions and the provision of billing facilities

For the year ended 30 September 2015

	Telephony Services £'000	Advanced Solutions £'000	Total £'000
Total segment revenue	68,941	78,189	**147,130**
Inter segment revenue	-	(314)	**(314)**
Revenue from external customers	68,941	77,875	**146,816**
Gross Profit	31,368	29,335	**60,703**
Operating costs			(45,603)
Finance income			3
Finance costs			(1,297)
Profit before taxation			**13,806**
Adjusted EBITDA			**22,051**

For the year ended 30 September 2014 (restated)

	Telephony Services £'000	Advanced Solutions £'000	Total £'000
Total segment revenue	71,760	63,215	**134,975**
Inter segment revenue	-	(562)	**(562)**
Revenue from external customers	71,760	62,653	**134,413**
Gross Profit	31,099	24,213	**55,312**
Operating costs			(43,772)
Finance income			25
Finance costs			(1,202)
Profit before taxation			**10,363**
Adjusted EBITDA			**19,591**

Assets and liabilities, operating profit, finance income, finance costs and taxation are not disclosed by segment as they are not reported to the chief operating decision maker

Transactions with the largest customer of the Company are less than 10% of Group revenue

All sales have taken place within the United Kingdom and those between segments are all carried out on arm's length basis

All non-current assets are located within the United Kingdom

4 Analysis of gross profit and operating costs

	30 September 2015 £'000	30 September 2014 (Restated) £'000
Revenue	**146,816**	134,413
Cost of sales	**(86,113)**	(79,101)
Gross profit	**60,703**	55,312
Selling and distribution costs	**(15,966)**	(14,025)
Administrative expenses	**(29,637)**	(29,747)
Operating profit	**15,100**	11,540

5 Operating profit

Operating profit is stated after charging

	30 September 2015 £'000	30 September 2014 £'000
Depreciation of property, plant and equipment	**1,681**	1,208
Amortisation of intangible assets	**4,874**	4,286
Income from property exit	**3,299**	2
Operating lease charges - land and buildings	**1,230**	918
Operating lease charges - motor vehicles	**55**	54

	£'000	£'000
Auditors' remuneration		
- fees payable to the Company's auditors for the audit of Parent Company and consolidated financial statements	**89**	103
Fees payable to the Company's auditors and associates for other services·		
- fees payable to the Company's auditors for the audit of the Company's subsidiaries pursuant to legislation	**82**	82
Total audit fees	**171**	185
- services relating to taxation	**11**	31
- corporate finance services	**73**	116
- all other services	**48**	38
Total non-audit fees	**132**	185

During the year, with the approval of the Audit Committee, the Corporate Finance team of PricewaterhouseCoopers LLP, who are also the Group's auditors, performed corporate finance work on certain non-recurring projects The fee in respect of this work was £73,350

6 Key management costs and employee information

Key management is defined as members of the Group's Executive Board, plus selected other senior managers

	30 September 2015 £'000	30 September 2014 £'000
Key management compensation		
Short term employee benefits	**2,043**	1,917
Post employment benefits	**83**	54
Share based payments	**1,078**	419
	3,204	2,390

	30 September 2015 £'000	30 September 2014 £'000
Directors' aggregate emoluments		
Short term employee benefits	**1,525**	1,712
Other benefits	**13**	71
Post employment benefits	**100**	74
	1,638	1,857

The amounts set out above include remuneration in respect of the highest paid director of £414,023 (2014 £636,113) The highest paid director also received £50,000 (2014 £38,500) of money purchase pension scheme contributions and exercised nil (2014 nil) share options during the year

Edward Spurrier resigned as Chief Executive Officer on 30 September 2015 [In addition to the amounts in the table an additional amount of £302,209 was paid following the year ended 30 September 2015 in respect of bonus and other compensatory payments]

During the year four directors (2014 five) accrued retirement benefits under money purchase pension schemes

The aggregate amount of gains made by directors on the exercise of share options was £nil (2014 £nil) No directors (2014 four) exercised share options during the year

The average monthly number of persons (including executive Directors) employed by the Group and Company during the year was

	Group 30 September 2015 Number	Group 30 September 2014 (Restated) Number	Company 30 September 2015 Number	Company 30 September 2014 Number
By activity				
Selling and distribution	**377**	346	**158**	95
Administration	**233**	224	**100**	181
	610	570	**258**	276

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
Staff costs				
Wages and salaries	**34,390**	31,296	**12,846**	11,482
Social security costs	**4,172**	3,772	**1,850**	1,581
Employee share scheme charges	**1,078**	419	**1,078**	419
Other pension costs - defined contribution plans	**867**	762	**402**	356
	40,507	36,249	**16,176**	13,838

7 Finance income

	30 September 2015 £'000	30 September 2014 £'000
Interest receivable on bank deposits	**3**	25

8 Finance costs

	30 September 2015 £'000	30 September 2014 £'000
Interest cost on bank loans	**1,294**	1,202

9 Taxation

	30 September 2015 £'000	30 September 2014 £'000
Current tax:		
Tax on profit in year	**3,101**	2,261
Adjustments in respect of prior years	**(784)**	(43)
Total current tax	**2,317**	2,218
Deferred tax:		
Origination and reversal of timing differences	**22**	67
Total deferred tax credit	**22**	67
Total tax charge	**2,339**	2,285

The current tax assessed for the year of 17 0% (2014 22 1%) is lower (2014 higher) than the average rate of corporation tax in the UK of 20 5% (2014 22%) applied to the profits before tax for the year due to a further reduction in the standard rate of corporation tax for the year (from 22 0% to 20 5%), the recognition of prior year R&D credits that have been successfully received in the current year and profit arising on the sale of a property for which certain indexation allowances have been applied The differences are explained below

	30 September 2015 £'000	30 September 2014 £'000
Profit before taxation	**13,806**	10,363
Profit on ordinary activities multiplied by average rate of corporation tax in the UK of 20 5% (2014 22%)	**2,830**	2,280
Effects of:		
Amounts not deductible	**379**	1,441
Deduction in relation to exercise of share options	**(255)**	(393)
Share option charge not deductible	**221**	92
Indexation allowance on sale of property	**(219)**	-
Utilisation of losses	**167**	(1,092)
Adjustments in respect of prior years R&D	**(784)**	(43)
Total tax charge	**2,339**	2,285

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015 Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 20 5% Further changes to the UK Corporation tax system were announced in the 8 July 2015 Budget Statement These include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020 As these changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements

10 Dividends

	30 September 2015 £'000	30 September 2014 £'000
2014 Final Paid - 9 60p (2013 8 60p) per 0 125p ordinary share	**4,643**	4,194
2015 First Interim Paid - 5.50p (2014 4 90p) per 0 125p ordinary sl	**2,662**	2,370
	7,305	6,564

The 2014 proposed final dividend of 9 60 pence per 0 125p ordinary share (2013 8 60 pence) was paid on 30 January 2015 The amount of dividend paid was £4,643,000 (2014 £4,194,000)

The Company paid a 2015 interim dividend of 5 50 pence per 0 125p ordinary share (2014 4 90 pence), with a total payment value of £2,662,000 (2014 £2,370,000) This was paid on 15 July 2015 to shareholders on the register on 19 June 2015

In addition, the Directors are proposing a final dividend in respect of the financial year ended 30 September 2015 of 10 9 pence per 0 125p ordinary share (2014 9 60 pence) which will require an estimated £5,280,000 of shareholders' funds (2014 £4,644,000) Assuming it is approved by the shareholders at the Annual General Meeting on 27 January 2016, it will be paid on 29 January 2016 to shareholders who are on the register of members at 4 January 2016 with an "ex-dividend" date of 31 December 2015

11 Earnings per share

The calculation of basic and fully diluted earnings per ordinary share is based on the profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares The Group has one category of potential ordinary shares those share options granted to employees where the exercise price is less than the average price of the Company's ordinary share during the year

The profit and weighted average number of shares used in the calculations are set out below

Basic and fully diluted earnings per share	Profit attributable to owners of the company £'000	Weighted average of £0 00125 ordinary shares Number	Per share amount Pence
2015 Earnings per share - basic	11,467	48,212,619	23 8
Potentially dilutive shares	-	940,364	(0 5)
2015 Earnings per share - diluted	11,467	49,152,983	23 3
2014 Earnings per share - basic	8,078	47,709,701	16 9
Potentially dilutive shares	-	888,307	(0 3)
2014 Earnings per share - diluted	8,078	48,598,008	16 6

The adjusted EPS is based on the adjusted profit after tax as set out in note 28, and the weighted average number of shares as described above

Basic and fully diluted earnings per share	Adjusted profit after taxation	Weighted average of £0 00125 ordinary shares Number	Per share amount Pence
2015 Earnings per share - basic	13,681	48,212,619	28 4
Potentially dilutive shares	-	940,364	(0 6)
2015 Earnings per share - diluted	13,681	49,152,983	27 8
2014 Earnings per share - basic	12,852	47,709,701	26 9
Potentially dilutive shares	-	888,307	(0 5)
2014 Earnings per share - diluted	12,852	48,598,008	26 4

Share option costs included within adjusted profit attributable to owners of the company are reducing the earnings per share in 2015 by 2 7p (2014 1 1p)

There were 49,729,817 shares in issue at 30 September 2015 (2014 49,688,544) The weighted average number of shares during the year was 48,212,619 (2014 47,709,701)

12 Intangible assets

Group	Purchased customer contracts	Computer software	Customer contracts and relationships	Trade names	Technology	Goodwill	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 October 2013	1,662	3,363	11,231	757	1,007	19,560	37,580
Additions	-	1,230	-	-	-	-	1,230
Acquisitions	-	461	21,203	-	890	32,347	54,901
At 30 September 2014	1,662	5,054	32,434	757	1,897	51,907	93,711
Additions	-	1,295	-	-	-	-	1,295
Acquisitions	-	-	-	-	-	-	-
At 30 September 2015	**1,662**	**6,349**	**32,434**	**757**	**1,897**	**51,907**	**95,006**
Accumulated amortisation							
At 1 October 2013	1,662	2,208	7,089	736	985	-	12,680
Charge for the year	-	790	3,286	21	189	-	4,286
At 30 September 2014	1,662	2,998	10,375	757	1,174	-	16,966
Charge for the year	-	1,175	3,476	-	223	-	4,874
At 30 September 2015	**1,662**	**4,173**	**13,851**	**757**	**1,397**	**-**	**21,840**
Net book amount							
At 30 September 2015	**-**	**2,176**	**18,583**	**-**	**500**	**51,907**	**73,167**
At 30 September 2014	-	2,056	22,059	-	723	51,907	76,745
At 30 September 2013	-	1,155	4,142	21	22	19,560	24,900

Amortisation has been charged through the income statement within operating costs

Company	Purchased customer contracts	Computer software	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 October 2013	759	3,894	1,763	6,416
Additions	-	1,081	-	1,081
At 30 September 2014	759	4,975	1,763	7,497
Additions	-	766	-	766
Acquisitions	-	-	-	-
At 30 September 2015	**759**	**5,741**	**1,763**	**8,263**
Accumulated amortisation				
At 1 October 2013	759	2,454	-	3,213
Charge for the year	-	848	-	848
At 30 September 2014	759	3,302	-	4,061
Charge for the year	-	951	-	951
At 30 September 2015	**759**	**4,253**	**-**	**5,012**
Net book amount				
At 30 September 2015	-	**1,488**	**1,763**	**3,251**
At 30 September 2014	-	1,673	1,763	3,436
At 30 September 2013	-	1,440	1,763	3,203

The carrying amounts of goodwill by reportable segment are as follows,

	Group 30 September 2015	Group 30 September 2014	**Company 30 September 2015**	Company 30 September 2014
	£'000	£'000	**£'000**	£'000
Telephony Services	**5,685**	5,685	**1,436**	1,436
Advanced Solutions	**46,222**	46,222	**327**	327
	51,907	51,907	**1,763**	1,763

Each operating segment is deemed to be a Cash Generating Unit (CGU), being the lowest level for which cash flows are separately identifiable Goodwill is attributed to each CGU and reviewed for the purposes of the annual impairment review as this is the level that management monitors goodwill The Group's operating segments to which goodwill has been allocated are Mobile Voice and Advanced Solutions

During the year goodwill in respect of each cash generating unit was tested for impairment in accordance with IAS 36 All CGUs were assessed to have a value in use in excess of their respective carrying values, and hence no impairments to goodwill were considered necessary

The key assumptions in the value in use calculations were

The forecasts were based on pre-tax cash flows derived from approved budgets for the 2016-2018 financial years Management believes the forecasts are reasonably achievable based on market performance and its expectations of market developments The directors consider that the key metric in the forecasts is earnings before interest, tax and amortisation Subsequent cash flows were extrapolated using a 1 0% (2014 1 0%)

growth rate reflecting an approximate forecasted long term growth rate for the UK economy, the Group's principal market

The pre-tax discount rate used to assess the carrying value of goodwill is 9 7% (2014 10 0%) which approximates the Group's weighted average cost of capital This discount rate has been calculated on a consistent basis

The review performed at the year-end did not result in the impairment of goodwill for any cash generating unit as the estimated recoverable amount exceeded the carrying amount in all cases The Group undertakes sensitivity analysis based on reasonably possible changes in assumptions by increasing the weighted average cost of capital and reducing future growth expectations in the model The results of this analysis show no indication of impairment

13 Property, plant and equipment

Group	Land and buildings £'000	Leasehold Improvements £'000	Plant and equipment £'000	Motor Vehicles £'000	Total £'000
Costs					
At 1 October 2013	1,646	640	3,877	8	6,171
Additions	-	60	784	-	844
Acquisitions	-	-	1,809	-	1,809
Disposals	-	(19)	(460)	-	(479)
Transfer to asset held for sale	(1,646)	-	-	-	(1,646)
At 30 September 2014	-	681	6,010	8	6,699
Additions	-	2,189	2,114	-	4,303
Disposals	-	(450)	(12)	-	(462)
At 30 September 2015	**-**	**2,420**	**8,112**	**8**	**10,540**
Accumulated Depreciation					
At 1 October 2013	227	573	3,086	8	3,894
Charge for the year	18	28	1,162	-	1,210
Disposals	-	(19)	(460)	-	(479)
Transfer to asset held for sale	(245)	-	-	-	(245)
At 30 September 2014	-	582	3,788	8	4,380
Charge for the year	-	146	1,535	-	1,681
Disposals	-	(424)	(12)	-	(436)
At 30 September 2015	**-**	**304**	**5,311**	**8**	**5,623**
Net book amount					
At 30 September 2015	**-**	**2,116**	**2,801**	**-**	**4,917**
At 30 September 2014	-	99	2,222	-	2,319
At 30 September 2013	1,419	67	791	-	2,277

Included within leasehold additions in 2015 is £0 3m of non-cash dilapidation provisions relating to the new property leases entered into during the year at 240 Blackfriars Road and 1 The Crescent Surbiton

Depreciation has been charged through the income statement within operating costs

Company	Land and buildings £'000	Leasehold Improvements £'000	Plant and equipment £'000	Motor Vehicles £'000	Total £'000
Costs					
At 1 October 2013	1,646	576	2,851	8	5,081
Additions	-	-	378	-	378
Disposals	-	(19)	(311)	-	(330)
Transfer to asset held for sale	(1,646)	-	-	-	(1,646)
At 30 September 2014	-	557	2,918	8	3,483
Additions	-	2,184	657	-	2,841
Disposals	-	(450)	(0)	-	(450)
At 30 September 2015	**-**	**2,291**	**3,575**	**8**	**5,874**
Accumulated Depreciation					
At 1 October 2013	227	535	2,450	8	3,220
Charge for the year	18	10	244	-	272
Disposals	-	(19)	(308)	-	(327)
Transfer to asset held for sale	(245)	-	-	-	(245)
At 30 September 2014	-	526	2,386	8	2,920
Charge for the year	-	126	375	-	501
Disposals	-	(424)	(0)	-	(424)
At 30 September 2015	**-**	**228**	**2,760**	**8**	2,997
Net book amount					
At 30 September 2015	**-**	**2,063**	**814**	**-**	**2,877**
At 30 September 2014	-	31	532	-	563
At 30 September 2013	1,419	41	401	-	1,861

14 Investments in subsidiary undertakings

	Company £'000
1 October 2014	78,599
30 September 2015	78,599

The following is a full list of subsidiary undertakings of the Group

Subsidiary undertakings	Country of incorporation	Class of holdings	Principal activities	Holding Company %
Echo Communications Limited	England & Wales	Ordinary	Dormant	100%
Aurora Kendrick James Limited	England & Wales	Ordinary	Billing Services	100%
Scalable Communications plc	England & Wales	Ordinary	Network Integrator	100%
Intercept IT Limited	England & Wales	Ordinary	IT services provider	100%
Control Circle Limited	England & Wales	Ordinary	IT services provider	100%
Alternative Cloud Services Ltd	England & Wales	Ordinary	Dormant	100%

The Directors believe that the carrying value of the investments is supported by their underlying net assets and future expected cash flows

15 Deferred taxation

Deferred taxation provided for in the financial statements is set out below Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable There were no un-recognised amounts of deferred tax at 30 September 2015 (2014 none)

The movement in the deferred tax during the year was as follows

Asset	Capital allowances temporary differences £'000	Share based payments £'000	Tax losses £'000	Total £'000
Group				
1 October 2013	335	63	-	398
Acquisitions	114	-	1,736	1,850
Credited/(charged) to income statement	195	83	(1,092)	(814)
Credited to equity	-	12	-	12
30 September 2014	644	158	644	1,446
Credited/(charged) to income statement	(479)	232	(644)	(891)
Credited to equity	-	4		4
30 September 2015	**165**	**394**	-	**559**

Asset	Capital allowances temporary differences £'000	Share based payments £'000	Tax losses £'000	Total £'000
Company				
1 October 2013	244	63	-	307
Credited/(charged) to income statement	(65)	83	-	18
Credited to equity	-	12	-	12
30 September 2014	179	158	-	337
Acquisitions				-
Credited/(charged) to income statement	(812)	232	-	(580)
Reclassifed to Deferred Tax Liability	239		-	239
Credited to equity		4	-	4
30 September 2015	**(394)**	**394**	-	**0**

Liability	Intangible Assets Total £'000
Group	
1 October 2013	(885)
Acquisition of subsidiary	(4,419)
Credited to income statement	747
30 September 2014	(4,557)
Credited to income statement	870
30 September 2015	(3,687)

The deferred tax on capital allowances temporary differences arises mainly from leasehold additions in the year where the tax written down value varies from the net book value The deferred tax liability in the Company has presented within deferred tax assets in the Group, as these amounts are likely to be realised over a similar period of time

Deferred tax assets and liabilities are analysed as follows

	Group 30 September 2015	Group 30 September 2014	**Company 30 September 2015**	Company 30 September 2014
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	**698**	444	**73**	212
Deferred tax assets to be recovered within 12 months	**100**	1,002	**43**	125
Asset at 30 September	**798**	1,446	**116**	337
Deferred tax liabilities				
Deferred tax liabilities to be recovered after more than 12 months	**(2,818)**	(3,818)	**(239)**	-
Deferred tax liabilities to be recovered within 12 months	**(870)**	(739)	**-**	-
Asset at 30 September	**(3,687)**	(4,557)	**(239)**	-

16 Asset held for sale

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	**Company 30 September 2015 £'000**	Company 30 September 2014 £'000
Property	-	1,401	-	1,401

The Company entered into a binding agreement on 6 August 2014 to sell its freehold interest at Chatfield Court and completed the transaction in April 2015 for gross proceeds of £3 8m resulting in a gain on disposal of £2 4m

17 Inventories

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
Finished goods	1,293	327	-	2

The amount of inventories recognised as an expense and charged to cost of sales during the year was £18,942,000 (2014 £13,458,000)

18 Trade and other receivables

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
Trade receivables	12,893	12,095	4,154	3,759
Amounts owed by Group undertakings	-	-	-	2,677
Prepayments	7,881	6,723	1,527	1,174
Accrued income	7,433	7,870	5,023	5,445
Other receivables	81	100	78	97
	28,288	26,788	10,782	13,152

The amounts noted above represent the fair value of trade and other receivables

At 30 September 2015, trade receivables of £332,000 (2014 £739,000) were impaired and fully provided for The Group is satisfied that the majority of its clients are of sound creditworthiness This view is further supported by the willingness of our credit insurers to provide cover in the majority of cases The ageing of the trade receivables which are past due and not impaired is as follows

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
31-60 days	1,416	2,693	15	442
61-90 days	418	267	112	79
Over 90 days	844	296	461	14
	2,678	3,256	588	535

Movement of the Group provision for impairment of trade receivables is as follows

	Group £'000	Company £'000
At 1 October 2013	505	234
Provision acquired	818	-
Receivable written off during the year as uncollectible	(842)	(67)
Unused amounts reversed	(280)	(130)
Provision for receivables impairment	538	215
At 30 September 2014	739	252
Receivable written off during the year as uncollectible	(83)	(83)
Unused amounts reversed	(511)	(42)
Provision for receivables impairment	187	134
At 30 September 2015	**332**	**260**

The creation and release of a provision for impaired receivables has been included in operating costs in the income statement Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash

Management regularly reviews the outstanding receivables and do not consider that any further impairment is required

The other asset classes within trade and other receivables do not contain impaired assets

19 Cash and cash equivalents

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	**Company 30 September 2015 £'000**	Company 30 September 2014 £'000
Cash	2,362	3,793	467	720

20 Called up share capital

	Group and Company 30 September 2015 £'000	Group and Company 30 September 2014 £'000
Authorised		
80,000,000 (2014 80,000,000) ordinary shares of 0 125p (2014 0 125p) each	**100**	100
Issued fully paid up		
49,729,817 (2014 49,688,544) ordinary shares of 0 125p (2014 0 125p) each	**62**	62

Movement in shares in issue

	2015 Shares	2014 Shares
Ordinary shares of 0.125p each		
At 1 October	**49,688,544**	49,662,667
Issued under share option schemes	**23,673**	25,877
Matching shares under SIP scheme	**17,600**	-
At 30 September	**49,729,817**	49,688,544

During the year 23,673 shares were issued under share option schemes as follows,

5,008 issued at 102 5p resulting in a share premium of £5,127
18,665 issued at 150 5p resulting in a share premium of £28,067
17,600 issued at nil cost resulting in a share premium of nil These share relate to the Company's new SIP scheme (note 26)

21 Trade and other payables

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
Trade payables	**13,018**	13,764	6,143	6,988
Amounts owed to group undertakings	-	-	14,196	9,262
Other taxation and social security costs	**3,862**	2,877	1,738	1,626
Other payables	**1,196**	882	987	656
Accruals and deferred income	**23,125**	19,556	10,142	6,971
	41,201	37,079	33,206	25,503

Secured payables

Included in trade payables are the following secured balances

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
Telefonica UK Limited	**2,384**	2,518	**2,384**	2,518
Vodafone Limited	**1,255**	985	**1,255**	985

On 27 May 2002, the Group granted legal charges to each of the above companies in respect of the balances owing to them under the terms of the service provider agreements both dated 27 May 2002

The legal charges are secured on the subscriber bases of the Group on each network, and the book debts arising thereon, together with any amount standing to the credit of the companies in any designated account

In addition, on 27 May 2009 the Group gave a guarantee to Barclays Bank plc in favour of Telefonica UK Limited, in respect of £100,000 The guarantee is secured on a fixed and floating charge on the assets of the Company, registered on 19 December 2002

22 Borrowings

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
Current				
Bank loans - secured	-	666	-	666
Bank loans - unsecured	6,598	4,445	6,598	4,445
Current borrowings	6,598	5,111	6,598	5,111
Non- current				
Bank loans - unsecured	14,500	27,970	14,500	27,970
Non-current borrowings	14,500	27,970	14,500	27,970

Further details of borrowings are disclosed in note 23 The secured bank loan in the prior year related to the Group's mortgage over the property at Chatfield Road which was subsequently sold in April 2015 (note 16)

23 Financial instruments

The Group's financial instruments comprise cash, bank loans, bank facilities and various items such as trade and other receivables and trade and other payables that arise directly from its operations All financial instruments are denominated in Pound Sterling

The fair value of financial assets and liabilities is approximately equal to their book values

Group at 30 September	2015 Loans and receivables £'000	2014 Loans and receivables £'000
Financial assets per balance sheet		
Trade and other receivables (less prepayments)	20,406	20,065
Cash and cash equivalents	2,362	3,793
	22,768	23,858

Company at 30 September	2015 Loans and receivables £'000	2014 Loans and receivables £'000
Financial assets per balance sheet		
Trade and other receivables (less prepayments)	9,255	11,978
Cash and cash equivalents	467	720
	9,722	12,698

The Group's financial assets include cash at bank and deposits at the year end Interest is received on cash deposits at variable rates primarily based on the relevant bank rate All cash at bank and cash deposits are held in Sterling Management monitors the creditworthiness of financial institutions where cash and cash equivalents are held on a regular basis

Group at 30 September	2015 Loans and receivables £'000	2014 Loans and receivables £'000
Financial liabilities per balance sheet		
Trade and other payables (less deferred income and statutory liabilities)	26,428	25,367
Secured bank loans	-	666
Unsecured bank loans	21,097	32,415
	47,525	58,448

Company at 30 September	2015 Loans and receivables £'000	2014 Loans and receivables £'000
Financial liabilities per balance sheet		
Trade and other payables (less deferred income and statutory liabilities)	31,194	23,455
Secured bank loans	-	666
Unsecured bank loans	21,098	32,415
	52,292	56,536

On 23 January 2014, the Group entered into a £43 million senior term and revolving facility to support the Group's acquisition strategy This was split between a £23m term loan facility and a £20m revolving credit facility

The term loan is repayable in half-yearly instalments over a 3 year period commencing July 2014 The revolving facility is due for renewal on 23 January 2018 Interest is calculated on LIBOR plus a margin dependent on the value of the Leverage covenant

Secured bank loans had fixed charges over the long leasehold property at Chatfield Court During the year the property was sold and the proceeds partially used to extinguish the secured loans

The Group's borrowings are subject to financial covenants tested quarterly The principal financial covenants under the facility are maximum net debt to EBITDA of 2 5 times, progressively dropping to 2 0 times in the final year of the facility, minimum interest cover of 5 times, and minimum cash flow to debt service of 1 0 times At 30 September 2014 and 2015 all of these covenants were achieved

The Group's operations expose it to a variety of financial risks The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by using a mix of financial instruments

a) *Foreign exchange risk* – The Group is exposed to minimal foreign exchange risk as the Group operates almost wholly within the United Kingdom In addition, substantially all of the Company assets and liabilities are held in Pound Sterling so sensitivity analysis is deemed unnecessary regarding foreign exchange risk

b) *Interest rate risk* – The Group has no significant interest-bearing assets but is exposed to interest rate risk as it borrows funds at floating interest rates As at 30 September 2015 the only floating rate to which the Group was exposed was LIBOR The Group did not enter into any hedging transactions during the year (2014 none)

c) *Credit risk* – Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group The Group has adopted a policy of only dealing with credit worthy counterparties and this policy has been implemented by requiring staff to carry out appropriate credit checks on customers before sales commence The amount of exposure to any individual counterparty is subject to a limit, which is reassessed at least annually The Group also insures all debts greater than £2,500 where accepted, with a leading credit insurance company

Trade receivables consist of a large number of customers, spread across diverse industries across the United Kingdom Ongoing credit evaluation is performed on the financial condition of accounts receivable The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics The Group defines counterparties as having similar characteristics if they are connected entities

Credit risk may also arise from deposits with banks It is the Group's policy that deposits are only made with banks that have high credit scores and deposits are split between multiple banks

d) *Liquidity risk* – The group has developed an appropriate liquidity risk framework for the management of the Group's short, medium, and long-term funding and liquidity risk management requirements The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities through cash flow forecasting, acquisition planning and monitoring working capital and capital expenditure requirements on an ongoing basis

For the foreseeable future, the Group is expected to be in a net borrowings position The table below analyses the Group's financial liabilities into relevant maturity groupings based on the balance remaining at the period to the contractual maturity date These amounts disclosed in the table are the contracted undiscounted cash flows

Group	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Year ended 30 September 2015	**£'000**	**£'000**	**£'000**	**£'000**
Borrowings	**6,598**	**9,000**	**5,500**	-
Trade and other payables (less deferred income and statutory liabilities)	**26,428**	-	-	-
Year ended 30 September 2014				
Borrowings	5,111	7,000	20,970	-
Trade and other payables (less deferred income and statutory liabilities)	25,367	-	-	-

Company	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Year ended 30 September 2015	**£'000**	**£'000**	**£'000**	**£'000**
Borrowings	**6,598**	**9,000**	**5,500**	-
Trade and other payables (less deferred income and statutory liabilities)	**31,194**	-	-	-
Year ended 30 September 2014				
Borrowings	5,111	7,000	20,970	-
Trade and other payables (less deferred income and statutory liabilities)	23,455	-	-	-

The outflow of financial liabilities will not be earlier than the periods stated and neither will they be significantly different to those indicated

A summary of the undrawn facilities the Group has at its disposal to further reduce liquidity risk is shown below

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
Undrawn facilities				
Unsecured bank loan	14,500	8,000	14,500	8,000
	14,500	8,000	14,500	8,000

The revolving facility is due for renewal on 23 January 2018

e) *Capital risk* – The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders The capital structure of the Group consists of net debt, which includes borrowings (note 22) and cash and cash equivalents, and equity attributable to owners of the parent, comprising issued share capital (note 20), 19 other reserves and retained earnings See above for details of the Group's borrowing facilities arranged in 2014

24 Cash generated from operations

Group	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Operating Profit	**15,100**	11,540
Adjustments for		
Depreciation of property, plant and equipment	**1,681**	1,208
Amortisation of intangible assets	**4,874**	4,286
Employee share scheme charges	**1,309**	419
(Profit)/loss on sale of tangible assets	**(2,399)**	2
Movements in working capital		
Inventories	**(966)**	(144)
Trade and other receivables	**(1,594)**	95
Trade and other payables	**3,874**	(1,239)
Cash generated from operations	**21,879**	16,167

Company	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Operating Profit	**10,634**	11,300
Adjustments for		
Depreciation of property, plant and equipment	**501**	272
Amortisation of intangible assets	**951**	848
Employee share scheme charges	**1,309**	419
(Profit)/loss on sale of tangible assets	**(2,399)**	2
Movements in working capital		
Inventories	**3**	1
Trade and other receivables	**130**	(564)
Trade and other payables	**9,444**	8,511
Cash generated from operations	**20,573**	20,789

Consolidated movement of net debt	30 September 2015 £'000	30 September 2014 £'000
Net decrease in cash and cash equivalents	**(1,431)**	(14,137)
Capitalisation of loan fees	-	724
Net decrease/(increase) in borrowings	**12,183**	(32,955)
Total cash flows in net debt	**10,752**	(46,368)
Amortisation of loan fees	**(198)**	(132)
Net debt at beginning of year	**(29,289)**	17,211
Net debt at end of year	**(18,735)**	(29,289)

25 Other commitments

At 30 September 2015 the Group and Company had minimum future lease commitments under non-cancellable operating leases as follows

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
Land and buildings				
Expiry date				
Within one year	504	628	280	413
Between one and two years	1,733	580	1,509	410
Between two and five years	4,898	946	4,469	523
	7,135	2,154	6,258	1,346

	Group 30 September 2015 £'000	Group 30 September 2014 £'000	Company 30 September 2015 £'000	Company 30 September 2014 £'000
Motor vehicles				
Expiry date				
Within one year	32	47	-	-
Between one and two years	2	32	-	-
Between two and five years	-	2	-	-
	34	81	-	-

Durıng the year the Group entered ınto property lease contracts at 240 Blackfrıars Road and 1 The Crescent Surbıton As a result of a rent free perıod on the property at 240 Blackfrıars Road, the commıtment wıthın one year ıs zero

26 Share based payments

Share option plans

Durıng the year the Company has set up a new HMRC-approved all employee Share Incentıve Plan (SIP) Employees may purchase new shares wıth the award of free matchıng shares under a two to one ratıo up to a maxımum of £1,800 total contrıbutıon per annum Matchıng Shares are subject to a three year holdıng perıod and may be forfeıted ın certaın cırcumstances durıng thıs tıme The executıve dırectors are elıgıble to partıcıpate ın the scheme

The Group's EMI scheme was adopted on 22 December 2004 Under the Group's EMI Scheme, optıons whıch are qualıfyıng optıons under the Enterprıse Management Incentıve regıme and also unapproved optıons may be granted

Optıons under the EMI 2006 scheme are currently exercısable based on the condıtıons that the optıon holder ıs stıll an employee of the Group and that the Group had achıeved certaın performance crıterıa ın the perıod 1 October 2005 to 30 September 2008 The exercıse prıce ıs £1 025 per share whıch was the market value at the date of the grant Durıng the year ended 30 September 2015, there were 5,008 optıons exercısed (2014 9,905) and 5,318 optıons lapsed (2014 nıl)

Optıons under the EMI 2007 scheme are currently exercısable based on the condıtıons that the optıon holder ıs stıll an employee of the Group and the Group has achıeved certaın performance crıterıa ın the perıod 1 October 2006 to 30 September 2009 The exercıse prıce ıs £1 505 per share whıch was the market value at the date of the grant Durıng the year ended 30 September 2015, there were 16,823 optıons exercısed (2014 15,972) and 500 optıons lapsed (2014 2,145)

Optıons under the EMI 2008 scheme are currently exercısable based on the condıtıons that the optıon holder ıs stıll an employee of the Group and certaın performance crıterıa have been met ın the perıod 3 July 2008 to 2 July 2011 The exercıse prıce ıs £1 355 per share whıch was the market value at the date of the grant Durıng the year ended 30 September 2015, there were nıl optıons exercısed (2014 nıl) and nıl optıons lapsed (2014 14,760)

A long term ıncentıve plan ("LTIP") was establıshed on 8 February 2013 Under the plan, nıl cost optıons are typıcally awarded annually and they can be exercısed three years after the grant date ıf the optıon holder ıs stıll an employee of the Group and certaın performance crıterıa have been met On 12 June 2014, the Group ıssued further optıons as part of the long term ıncentıve plan (LTIP 2014) There were 588,374 outstandıng at 30 September 2015 (2014 680,095) Optıons granted to executıve dırectors are shown above

On 4 February 2015 the Group granted a serıes of 22,830 shares under a newly formed Company share optıon plan ("CSOP 2015") followed by a further serıes of 29,560 optıons on 26 March 2015 The optıons can be exercısed three years after the grant date ıf the optıon holder ıs stıll an employee of the Group and certaın performance crıterıa have been met There were 47,870 CSOP 2015 optıons outstandıng at 30 September 2015 (2014 nıl) Optıons granted to executıve dırectors are shown above

On 4 February 2015 the Group granted a serıes of 589,670 shares under ıts newly formed long term retentıon plan ("LTRP 2015") followed on 26 March 2015 by a further serıes of 90,440 optıons The optıons can be exercısed three years after the grant date ıf the optıon holder ıs stıll an employee of the Group and certaın performance crıterıa have been met There were 558,830 LTRP 2015 optıons outstandıng at 30 September 2015 (2014 nıl)

Outstanding options by scheme

Date of Grant	Scheme	Exercise price (pence)	Exercise period	30 September 2015	30 September 2014
18 January 2006	EMI	102 5	2008-2016	-	10 326
17 January 2007	EMI	150 5	2009-2017	**18,388**	35 711
3 July 2008	EMI	135 5	2011-2018	**7,380**	7,380
8 February 2013	LTIP 2013	nil	2016-2026	**139,366**	139 366
18 June 2013	LTIP 2013	nil	2016-2026	**82,539**	82,539
12 June 2014	LTIP 2014	nil	2017-2027	**366,469**	458,190
4 February 2015	CSOP 2015	490	2018-2025	**18,510**	-
4 February 2015	LTRP 2015	nil	2018-2025	**468,990**	-
26 March 2015	CSOP 2015	479	2018-2025	**29,360**	-
26 March 2015	LTRP 2015	nil	2018-2025	**89,840**	-
				1,220,842	733,512

Details of the Group's Share Option Schemes are contained in the Remuneration Report on page 33

A reconciliation of option movements over the year to 30 September 2015 is shown below

	2015 Number	**2015 Weighted average exercise price**	2014 Number	2014 Weighted average exercise price
Outstanding at 1 October	**783,512**	**9.5p**	401,361	32 8p
Granted	**734,500**	**34.8p**	508,190	nil
Forfeited	**(223,339)**	**12 6p**	(100,162)	23 2p
Exercised	**(23,673)**	**140.3p**	(25,877)	132 1p
Outstanding at 30 September	**1,271,000**	**21 1p**	783,512	9 5p
Exercisable at 30 September	**23,926**	**145.9p**	53,417	139 1p

The total charge for the year relating to employee share based payment plans was £1,309,000 (2014 £510,000) including a provision for employers national insurance contributions of £231,000 (2014 £91,000), all of which related to equity-settled share based payment transactions

27 Related party transactions

Key management is defined as members of the Group's Executive Board, plus selected other senior managers

Sales made between Group entities are eliminated in the Group financial statements The amount of revenue and expense recognised in the Company and subsidiaries financial statements are as follows

	Revenue		Expenses	
	30 September 2015 £'000	30 September 2014 £'000	**30 September 2015 £'000**	30 September 2014 £'000
Alternative Networks plc		-	225	224
Aurora Kendrick James Limited	314	562		-
	314	562	**225**	224

No dividends were declared and paid to the Company by its subsidiaries during the current or prior year

Amounts payable to and receivable from Group undertakings are unsecured, repayable on demand and subject to a notional interest charge calculated at 0 8% per annum (2014 0 8%) These amounts are disclosed in note 21

During the prior year Edward Spurrier settled a loan due to the Employee Benefit Trust for £277,000, which in turn repaid the Company This related to the award of 638,400 shares to Edward Spurrier, which were being held by the trust

28 Reconciliation to adjusted performance

(a) Reconciliation of adjusted EBITDA	30 September 2015 £'000	30 September 2014 £'000
Profit before tax	**13,806**	10,363
Adjustments		
Amortisation of purchased customer contracts and other intangibles (excluding computer software)	**3,699**	3,496
Share based payments and associated social security expense	**1,309**	510
Income from property exit	**(3,299)**	-
Restructuring, acquisition and associated costs (c)	**2,386**	2,047
Adjusted profit before tax	**17,900**	16,416
Finance income	**(3)**	(25)
Finance costs	**1,297**	1,202
Adjusted operating profit	**19,194**	17,593
Add Depreciation of property, plant and equipment	**1,681**	1,208
Add Amortisation of computer software	**1,176**	790
Adjusted EBITDA	**22,052**	19,592

(b) Reconciliation of adjusted profits for earnings per share	30 September 2015 £'000	30 September 2014 £'000
Adjusted profit before tax (see above)	**17,900**	16,416
Less Share based payments	**(1,309)**	(510)
Less Taxation per consolidated statement of comprehensive income	**(2,339)**	(2,285)
Less Taxation on amortisation of purchased customer contracts and other intangibles (excluding computer software) and exceptionals	**(571)**	(769)
Adjusted profit after tax	**13,681**	**12,852**

Adjusted EPS is calculated on adjusted earnings after deduction of share option costs This analysis is provided as the Group considers it provides a truer reflection of the underlying performance of the business and is common practice in the investment analyst community

(c) Restructuring, acquisition and associated costs consist of the following:

	30 September 2015 £'000	30 September 2014 £'000
Direct costs of acquisitions	**-**	1,263
Restructuring costs	**1,823**	-
Redundancy costs	**563**	784
	2,386	**2,047**