21 September 2016

eg Solutions plc
("eg" or the **"Company"** or the **"Group")**

Interim Results for the six months ended 31 July 2016

Strong platform for future growth

eg solutions plc (AIM: EGS), the back office optimisation software company, announces its interim results for the six months ended 31 July 2016.

Highlights:

- The Company has ended the first half of the financial year securing a number of new contract wins together with a particularly strong forward order book of £16.2m, providing good visibility of future revenues

- Significant contract wins include:

  - Three new contracts delivered by the Company's US partner Aspect Software Inc, including a major contract with a leading social networking corporation
  - A new contract with the UK's largest consolidator of closed life assurance funds
  - A successful proof of concept project with a major financial services group in Singapore
  - Repeat contracts secured with a UK Business Process Outsourcer and a European investment bank

- New senior executives appointed to support the Board's growth aspirations

Final results:

Figures in £m	**Unaudited Six months ended 31 July**	
	2016	**2015**
Revenues	£2.50m	£3.60m
Gross profit	£1.34m	£2.38m
Gross margin %	53.6%	66.0%
Adjusted EBITDA*	(£0.89m)	£0.10m
Adjusted PBT*	(£1.33m)	(£0.26m)
Profit / (loss) before tax	(£1.51m)	(£0.33m)
Net cash	£1.66m	£3.06m
Earnings per share – diluted	(5.2p)	(0.7p)
4 Year order book	£16.2m	£15.5m

*adjusted for Share Option Charges, non-recurring legal fees and redundancy costs in current year and Share Option Charges in prior year.

Chief Executive's Review

Whilst the early part of the year has yielded revenue and EBITDA below our expectations, the board is encouraged by the increase in contract wins towards the end of the first half together with a strong pipeline of new business.

During the latter part of the period, the Board conducted a review of its business involving a critical assessment of its product, the market the business operates in and the quality, depth and scale of its internal resources.

In terms of product, the review concluded that the Company has an industry leading product suitable for UK and international markets which is fit for purpose and can comfortably accommodate the Board's significant growth aspirations over the next few years.

In terms of the marketplace, the review concluded that the back office workforce optimisation market continues to develop well, both within the UK and internationally. More than ever businesses are seeking to continuously improve their end-customer experience and better utilise their resources to drive efficiencies. The Board concluded that the Company has clear visibility of the market and is ideally placed to satisfy customer needs with its market-leading product.

The findings of the review have been supported by the significant increase in new contracts secured in recent weeks and the strong current order book. New contracts secured in the Asia-Pacific region are particularly encouraging given our short time operating in this market.

Partner channel relationships continue to be an exciting prospect for the Company and a major strategic platform for growth. Aspect Software Inc. has delivered three new contract wins in the period, including a significant new contract with a leading social networking corporation. This landmark contract win by Aspect demonstrates the capability of the Company's software in this new market segment.

However, the Board's review also concluded that the breadth and depth of the Company's sales resources and channels are insufficient to fulfil the Board's growth objectives for the forthcoming years. Accordingly a restructure has been implemented within the management team to increase focus on revenue generation and recruit the required management skills to support growth. These structural changes are almost complete and set the Company in a strong position going into the second half of the financial year and beyond.

Financial Review

The Board is pleased with margin earned on its contracted sales for the period. Whilst there has been some gross margin decline, this does not reflect pricing pressure but is related to lower overall volume throughput. The Company has continued to invest in developing its Software and Client Implementation teams in preparation for the busy period ahead. Increased revenues in the second half are expected to return overall margin to normalised levels.

The non-recurring expenditure relates to legal costs and redundancies following the restructure.

In a period of investing for future growth, we are satisfied with our cash balance and the forecast future cash balance for the remainder of the financial year.

Following the referendum on 23 June 2016, the Board has reassessed its business in terms of foreign exchange risk. The Board has concluded that there is minimal risk as a result of pre-agreed prices that protect the GBP price.

Outlook

The Board has set a medium term target of growing revenues to £12m over the next two financial years and is focused on ensuring that the company's infrastructure is right-sized to meet this objective. The Company's business model provides a high degree of operating leverage such that approximately 30% of incremental sales are expected to flow through to EBITDA.

Notwithstanding the previously announced slow start to the current financial year, the Board takes confidence from recent new contract wins and the strength of the order book. As a result of improved operational efficiency, the year-end EBITDA outturn is anticipated to be in line with market expectations on lower revenues.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Consolidated Statement of Comprehensive Income For the Six Months Ended 31 July 2016

	Note	**Unaudited six months ended 31 July 2016 £'000**	Unaudited six months ended 31 July 2015 £'000	Audited Year ended 31 January 2016 £'000
Revenue		**2,498**	3,601	7,595
Cost of sales		**(1,158)**	(1,224)	(2,122)
Gross Profit		**1,340**	2,377	5,473
Administrative expenses		**(2,227)**	(2,321)	(4,666)
Adjusted EBITDA		**(887)**	56	807
Amortisation		**(436)**	(312)	(691)
Depreciation		**(13)**	(7)	(19)
Non-recurring expenditure		**(150)**	-	-
Share Option Charge		**(27)**	(71)	(98)
(Loss)/Profit from operations		**(1,513)**	(334)	(1)
Finance Income		**4**	6	10
Finance Charges		**-**	-	-
(Loss)/Profit before tax		**(1,509)**	(328)	9
Tax credit	3	**350**	186	158
(Loss)/Profit for the period		**(1,159)**	(142)	167
Other comprehensive income: Exchange differences on translation of foreign operation		**(4)**	(15)	(5)
Total comprehensive (expense)/income for the period		**(1,163)**	(157)	162
(Loss)/Profit and total comprehensive (expense)/income attributable to equity shareholders of the Parent Company		**(1,163)**	(157)	162
Earnings per share				
From continuing operations				
Basic	5	**(5.5p)**	(0.7p)	0.8p
Diluted	5	**(5.2p)**	(0.7p)	0.7p

Consolidated Statement of Financial Position as at 31 July 2016

	Note	**Unaudited six months ended 31 July 2016**	Unaudited six months ended 31 July 2015	Audited Year ended 31 January 2016
		£'000	£'000	£'000
Assets				
Non-current assets				
Intangible assets	6	3,798	3,076	3,507
Property, plant and equipment		90	73	80
		3,888	3,149	3,587
Current assets				
Trade and other receivables	7	1,259	2,034	1,692
Current tax receivable		416	266	323
Cash and cash equivalents		1,663	3,056	3,195
		3,338	5,356	5,210
Total assets		7,226	8,505	8,797
Liabilities				
Current liabilities				
Trade and other payables	8	2,011	2,471	2,259
		2,011	2,471	2,259
Non-current liabilities				
Deferred tax liabilities		117	219	304
		117	219	304
Total Liabilities		2,128	2,690	2,563
Net Assets		5,098	5,815	6,234
Equity				
Share capital		227	226	227
Share premium		7,924	7,852	7,924
Share-based payment reserve		813	773	786
Own shares held		(1,149)	(1,149)	(1,149)
Retained earnings		(2,612)	(1,776)	(1,453)
Foreign exchange		(105)	(111)	(101)
Total equity		5,098	5,815	6,234

Consolidated Interim Statement of Cash Flows
For the Six Months Ended 31 July 2016

	Unaudited six months ended 31 July 2016 £'000	Unaudited six months ended 31 July 2015 £'000	Audited Year ended 31 January 2016 £'000
Operating activities			
(Loss)/Profit before tax	(1,509)	(328)	9
Adjustments for:			
Depreciation of property, plant & equipment	16	7	19
Amortisation of intangible assets	436	312	691
Finance income	(4)	(6)	(10)
Share option charge	27	71	98
Decrease/(Increase) in receivables	433	(1,276)	(934)
(Decrease)/Increase in payables	(248)	604	392
Cash (used in)/generated by operations	(849)	(616)	265
Income taxes received	70	-	-
Net cash (used in)/generated by operating activities	**(779)**	(616)	265
Investing activities			
Purchases of intangible assets	(727)	(587)	(1,396)
Purchases of property, plant and equipment	(26)	(29)	(49)
Net cash used in investing activities	**(753)**	(616)	(1,445)
Financing activities			
Proceeds from exercise of warrants	-	-	73
Interest received	4	6	10
Net cash generated by financing activities	**4**	6	83
Net (decrease) in cash and cash equivalents	**(1,528)**	(1,226)	(1,097)
Cash and cash equivalents at beginning of period	3,195	4,297	4,297
Effect of foreign exchange rates	(4)	(15)	(5)
Cash and cash equivalents at end of period	**1,663**	3,056	3,195

Consolidated Statement of Changes in Equity

For the Six Months Ended 31 July 2016

	Share capital	Share premium	Share - based payment reserve	Own shares held	Retained earnings	Foreign exchange	Other reserves	Total amounts Attributable to equity holders of the parent company
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 January 2015	**226**	**7,852**	**702**	**(1,149)**	**(1,634)**	**(96)**	**-**	**5,901**
Loss for the period	-	-	-	-	(142)	-	-	(142)
Other comprehensive expense	-	-	-	-	-	(15)	-	(15)
Total comprehensive expenses	-	-	-	-	(142)	(15)	-	(157)
Share-based payments	-	-	71	-	-	-	-	71
Balance at 31 July 2015	**226**	**7,852**	**773**	**(1,149)**	**(1,776)**	**(111)**	**-**	**5,815**
Profit for the year	-	-	-	-	309	-	-	309
Other comprehensive expense	-	-	-	-	-	10	-	10
Total comprehensive expense	-	-	-	-	309	10	-	319
Share-based payments	-	-	13	-	14	-	-	27
Transactions with owners in their capacity as owners:								
Shares issued on conversion of warrants	1	72	-	-	-	-	-	73
Balance at 31 January 2016	**227**	**7,924**	**786**	**(1,149)**	**(1,453)**	**(101)**	**-**	**6,234**
Loss for the period	-	-	-	-	(1,159)	-	-	(1,159)
Other comprehensive expense	-	-	-	-	-	(4)	-	(4)
Total comprehensive expense	-	-	-	-	(1,159)	(4)	-	(1,163)
Share-based payments	-	-	27	-	-	-	-	27
Balance at 31 July 2016	**227**	**7,924**	**813**	**(1,149)**	**(2,612)**	**(105)**	**-**	**5,098**

This statement is unaudited

1. Notes to the Group Condensed Consolidated Interim Financial Statements

for the six months ended 31 July 2016

ACCOUNTING POLICIES

The interim financial information consolidates the results of the Company and its subsidiary undertakings made up to 31 July 2016 are unaudited.

The company is a limited liability company incorporated and domiciled in England and whose shares are listed on the Alternative Investment Market.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

It does not therefore include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 January 2016

The financial information for the six months ended 31 July 2016 is unaudited. The Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Groups listed on the Alternative investment Market (AIM), in the preparation of these financial statements.

Full accounts of **eg** solutions plc for the year ended 31 January 2016 have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain a statement under Section 498 (2-3) of the Companies Act 2006.

Significant Accounting Policies

The Accounting policies used in the preparation of the financial information for the six months ended 31 July 2016 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union and are consistent with those that are expected to be adopted in the annual statutory financial statements for the year ending 31 January 2017. These are not expected to differ significantly from those adopted in the financial statements for the year ended 31 January 2016.

The interim report for the six months ended 31 July 2016 was approved by the Board of Directors on 21 September 2016.

2. OPERATING SEGMENTS

In prior periods, **eg** solutions plc has disclosed Financial information on two operating segments. Following a review, **eg** now report Financial information to the Chief Executive Officer in one segment.

3. TAXATION

	Unaudited six months ended 31 July 2016 £'000	Unaudited six months ended 31 July 2015 £'000	Audited Year ended 31 January 2016 £'000
Current tax:			
United Kingdom	**(162)**	(156)	(253)
Tax in respect of prior years	**(1)**	(52)	(12)
	(163)	(208)	(265)
Deferred tax:			
Origination and reversal of temporary differences	**(187)**	22	107
Tax receivable by the Group and its subsidiaries	**(350)**	(186)	(158)

Domestic income tax is calculated at 20.00% (2016: 20.17%) of the estimated assessable loss for the year. The change in applicable tax rate is due to the reduction in UK Corporation tax rates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	Unaudited six months ended 31 July 2016 £'000	Unaudited six months ended 31 July 2015 £'000	Audited Year ended 31 January 2016 £'000
The credit for the period can be reconciled to the loss per the Statement of Comprehensive Income as follows:			
(Loss)/Profit before tax	**(1,509)**	(328)	9
Tax at the applicable domestic income tax rate 20.00% (2016: 20.17%)	**(302)**	(66)	2
Tax effects of expenses that are not deductible in determining taxable profit	**31**	31	83
Share-based payments	**5**	(30)	(5)
Research and development enhanced relief	**(165)**	(138)	(290)
Losses surrendered for R&D tax credit	**61**	69	99
Prior year items	**(1)**	(52)	(12)
Other movements	**21**	-	(35)
Tax credit	**(350)**	(186)	(158)
Effective tax rate for the period	**-23%**	-57%	-1756%

4. DIVIDENDS

The Board is not proposing the payment of an interim dividend.

5. EARNINGS PER ORDINARY SHARE
From Continuing Operations

	Unaudited six months to 31 July 2016	Unaudited six months to 31 July 2015	Audited Year ended 31 January 2016
Weighted average number of shares in issue	**22,682,938**	22,570,088	22,612,445
Weighted average number of shares held by the Employee Benefit Trust	**(1,514,285)**	(1,514,285)	(1,514,285)
Weighted average number of shares for the purposes of basic earnings per share	**21,168,653**	21,055,803	21,098,160
Effect of dilutive potential ordinary shares - Share options	**950,464**	404,087	1,434,822
Weighted average number of shares for the purposes of diluted earnings per share	**22,119,117**	21,459,890	22,532,982

	Unaudited six months to 31 July 2016 £'000	Unaudited six months to 31 July 2015 £'000	Audited Year ended 31 January 2016 £'000
Basic earnings attributable to equity shareholders	**(1,159)**	(142)	167
Earnings for the purposes of diluted earnings per share	**(1,159)**	(142)	167

	Unaudited six months to 31 July 2016	Unaudited six months to 31 July 2015	Audited Year ended 31 January 2016
Basic earnings per share	**(5.5p)**	(0.7p)	0.8p
Diluted earnings per share	**(5.2p)**	(0.7p)	0.7p

EPS has been calculated using the following methodology:

- Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the number of weighted average ordinary shares during the period. The number of shares excludes shares held by an Employee Benefit Trust.

- For Diluted earnings per share, the number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees.

- At 31 July 2016 there were 1,397,821 (2015: 2,619,198) share options outstanding that could potentially dilute basic EPS in the future, but are not included in the calculation of diluted EPS because they are anti-dilutive for the periods presented.

6. INTANGIBLE ASSETS

	Development costs £'000	Intellectual property £'000	Total intangibles £'000
Cost			
At 1 February 2015	6,100	498	6,598
Acquisitions - internally developed	587	-	587
At 1 August 2015	6,687	498	7,185
Acquisitions - internally developed	809	-	809
At 1 February 2016	7,496	498	7,994
Acquisitions - internally developed	727	-	727
At 31 July 2016	**8,223**	**498**	**8,721**
Amortisation and Impairment			
At 1 February 2015	3,307	489	3,796
Amortisation for the period	304	8	312
At 1 August 2015	3,611	497	
Amortisation for the period	378	1	379
At 1 February 2016	3,989	498	4,487
Amortisation for the period	436	-	436
At 31 July 2016	**4,425**	**498**	**4,923**
Carrying amount			
At 31 July 2016	**3,798**	**-**	3,798
At 1 February 2016	**3,507**	**-**	3,507
At 1 August 2015	**3,076**	**1**	3,077
At 1 February 2015	**2,793**	**9**	2,802

7. TRADE AND OTHER RECEIVABLES

	Unaudited six months to 31 July 2016 £'000	Unaudited six months to 31 July 2015 £'000	Audited Year ended 31 January 2016 £'000
Trade receivables	**794**	1,019	1,098
Less provision for impairment	**-**	-	(5)
Net trade receivables	**794**	1,019	1,093
Prepayments and accrued income	**465**	1,015	599
	1,259	2,034	1,692

Ageing analysis of trade receivables past due but not impaired:

	Unaudited six months to 31 July 2016	Unaudited six months to 31 July 2015	Audited Year ended 31 January 2016
Up to 30 days overdue	**55**	173	234
31 - 90 days overdue	**591**	366	724
Over 91 days overdue	**-**	6	15
	646	546	973

No provision has been made for impairment losses.

8.TRADE AND OTHER PAYABLES

Trade and other payables are as follows:

	Unaudited six months to 31 July 2016	Unaudited six months to 31 July 2015	Audited Year ended 31 January 2016
	£'000	£'000	£'000
Trade payables	**469**	458	368
Other tax and social security	**71**	270	413
Grants received	**196**	165	199
Accruals and deferred income	**1,275**	1,578	1,279
	2,011	2,471	2,259

9. AVAILABILTY OF ANNOUNCEMENT

Copies of this announcement are available from the Group's registered office at Dunston Business Village, Stafford Road, Dunston, Stafford Staffordshire, ST18 9AB and from www.egsplc.com.

****ENDS****

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About eg solutions plc

eg solutions is a back office workforce optimisation software Group. **eg** pioneered this new market space and developed the most complete, purpose built workforce optimisation software for back offices - the only solution that manages work, people and end-to-end processes wherever they are undertaken, anywhere in the world.

eg solutions' software is now used by leading UK, international and global companies in multiple industry sectors including financial services, healthcare and utilities. Using its forecasting, scheduling, real-time work management and operational analytics capabilities, **eg** delivers measureable improvements in service, quality, productivity and regulatory compliance. When supported by **eg's** implementation and training services **eg** guarantee a return on investment in short timescales.

Regardless of who is serving the customer - call centre, back offices, branches or the field -**eg** solutions provide true insight into the full customer service process and promote world-class operational management capability.

The Group is listed on AIM, the London Stock Exchange's international market for smaller growing companies (EGS).