For Immediate Release

Billing Services Group Limited
(“BSG” or the “Company”)

Audited results for the year ended December 31, 2016

FAVORABLE NET INCOME AND CASH FLOW COINCIDE WITH SUCCESSFUL INTRODUCTION OF DIRECT BILLING SERVICE

(March 29, 2017) San Antonio, Texas, USA and Aldermaston, United Kingdom – BSG, a leading provider of telecommunications clearing and financial settlement products, Wi-Fi data solutions and verification services, today announces its audited results for the year ended December 31, 2016.

Financial Highlights
(*All amounts in US$*)

	Year Ended December 31					
	2016			2015		
Revenues	$	30.2	million	$	36.4	million
EBITDA [(1)]	$	5.7	million	$	6.4	million
Net income	$	10.9	million	$	8.7	million
Net income per basic and diluted share	$	0.04	per share	$	0.03	per share

(1) EBITDA (a non-GAAP measure) is computed as earnings before interest, income taxes, depreciation, amortization and other non-cash and nonrecurring expenses

- Generated $5.7 million of EBITDA (2015: $6.4 million)
- Recorded net income of $0.04 per share (2015: $0.03 per share)
- Improved gross margin by 2.0 percentage points (53.0% in 2016 vs. 51.0% in 2015)
- Reduced operating expenses by $1.9 million ($10.3 million in 2016 vs. $12.2 million in 2015)
- Repaid $2.1 million (through the date of this report) of a total $5.2 million pursuant to our settlement with the Federal Trade Commission (FTC)

BSG Wireless and TPV Operational Highlights

- Completed development of the new Wi-Fi Location Data Service (WLDS) and engaged with lead customers, including Comcast, Boingo Wireless, AT&T and TELUS
- Increased network partner interconnections to over 80, and Roaming Hub traffic grew 48% compared to 2015

- Selected by Panasonic Avionics to provide in-flight Wi-Fi connectivity services
- Completed development of a Software Development Kit (SDK) for our hotspot finder and connection suite and engaged with Panasonic Aviation to provide "white labeled" Wi-Fi connection managers
- Continued to extend penetration of the North American cable operator market by deploying upgraded releases of our hotspot finder product with Bright House Networks, Comcast and Shaw
- Signed a contract with Kyrio (a CableLabs subsidiary) for "white label" hub services
- Expanded our hotspot finder and connection product suite delivered to Deutsche Telekom "Business Wi-Fi" product line with usage reporting and in-flight connectivity
- Signed nine new third-party verification (TPV) agreements, including six within the energy sector. We're delighted to be providing TPV services to Direct Energy and welcome them to the VoiceLog family

Current Trading and Strategy

- We have initiated a strategic review to assist the Board in determining the future composition of the group, including its capital structure and business lines. No decisions have been made at this time
- Current trading remains in line with the Board's expectations and consistent with the recent trading conditions experienced by the Company
- The Company expects that revenues and EBITDA in 2017 will continue to be affected by the secular decline in the volume of billable long distance and operator service calls initiated on landline phones, coupled with a decision by a local exchange carrier to exit third-party billing as described in the Company's announcements dated August 9, 2016 and September 12, 2016
- Although still in its first several months, our direct billing initiative has developed solid traction, and we expect this to continue over the course of 2017. Given the relatively early stage of this product offering, coupled with the strategic review that is underway, we expect to provide financial performance guidance later this year

Commenting on the results, Patrick D. Heneghan, Non-Executive Chairman, said:

> *"2016 was a remarkable year. While earning $0.04 per share of net income and generating $7.7 million of cash flow, the Company expanded its service platform to meet the direct billing needs of customers. This was a complex task, requiring broad revisions to intricate processes and historical practices. I cannot overstate both the challenge and the success."*

INQUIRIES:

Billing Services Group Limited Norman M. Phipps	**+1 210 949 7000**
finnCap Limited Stuart Andrews/Scott Mathieson	**+44 (0) 20 7220 0500**
BSG Media Relations Leslie Komet Ausburn	**+1 210 326 8992**

About BSG:

BSG has locations in San Antonio, Texas, USA and Aldermaston, United Kingdom. The Company is traded on the London Stock Exchange (AIM: BILL). For more information on BSG, visit (www.bsgclearing.com).

CHIEF EXECUTIVE'S STATEMENT

2016 was a milestone year for the Company. In addition to delivering impressive financial results in the circumstances, we expanded our service platform to allow direct billing and payment options to end-user consumers, giving our clearinghouse customers an alternative to LECs as their billing and collection vehicle.

Revenue and earnings

We achieved $5.7 million of EBITDA on revenues of $30.2 million. As expected, both figures were lower than the 2015 results. Net income, however, was a different story. Driven by a 2.0 percentage point increase in gross margin, a $1.9 million reduction in operating expenses and the benefit of accounting treatment resulting in a favorable recalibration of liabilities related to class action litigation, we earned $10.9 million of net income ($0.04 per share), which compares favorably to the $8.7 million ($0.03 per share) earned in 2015.

The core business of billing and clearing for landline telecommunications providers continued to be adversely affected by the secular migration from landline to wireless communications. In contrast, our wireless business enjoyed solid gains in revenue and new clients during 2016, and we expect 2017 to exceed 2016, which was our best year since we acquired the business.

Cash flow

We generated $7.7 million of cash in 2016, resulting in a year-end cash balance of $15.1 million. With the class action litigation against two LECs in its final stages and settlement of the FTC matter behind us, we are left with a strong cash position, positive working capital ($4.2 million) and a conservative capital structure (99% equity vs. 1% debt).

One of the most important and actively discussed issues facing management and the Board is the optimal allocation of our capital resources. Parties owning more than 55% of the Company's outstanding shares are directly represented on the Board. Accordingly, the Board's interest in capital allocation is both intense and fully aligned with the best interests of all shareholders.

In light of the Board's focus on shareholder value, we have initiated a strategic review to assist the Board in determining the future composition of the group, including its capital structure and business lines. No decisions have been made at this time.

Expansion of billing options in landline business

Some 25+ years ago, our business was founded to serve a newly allowed telecommunications industry which competed against the historical monopoly (which evolved into today's LECs). BSG's *raison d'être* was to provide the newly established telecommunications providers with a simple, economical and reliable way to bill and collect from end-user consumers for services. BSG's value proposition was largely driven by scale, because it had the ability to aggregate call records from multiple competing telecommunications companies and submit them to the LECs to be billed and collected in the most economical manner. BSG quickly became the industry leader for LEC billing.

In August 2016, one of the largest LECs informed us that it would discontinue its longstanding third-party billing and collection service for a substantial portion of our customers' transactions. In effect, one leg from a 25+ year-old sturdy chair was pulled out from beneath us.

Our team got to work immediately. As the result of advances in billing, payment and money-transfer technology, there has been a proliferation of new options to bill and collect funds in a simple, economical and reliable way. We rapidly developed a new service under which BSG, on behalf of its customers, can bill and collect directly from end-user consumers (*i.e.*, without going through a LEC). End-users can make payments through an online portal or through the mail.

We commenced the direct billing service in December 2016 for customers affected by the substantial cessation of third-party billing by the single large LEC. Our customers have been pleased with the simplicity, transparency and collection rates of the direct billing service.

Expansion of services to wireless applications

Our business plan has focused on an expansion of services offered for wireless telecommunications applications. The strategy underlying the focus on wireless telecommunications applications has been to mitigate the secular decline in revenue from landline-based services. Revenues arising from services to wireless markets are on a promising trajectory, but the gains to date have been insufficient to offset fully the revenue decline in the landline sector.

Outlook

We will continue to be adversely affected by the displacement of landline phone transactions by wireless devices. We expect continuation of growth in revenue from services to wireless markets and our direct bill initiative. Given the relatively early stage of the latter product offering, coupled with the strategic review that is underway, we expect to provide financial performance guidance later this year.

Closing comments

Our employees rose to meet a challenge affecting the foundation of our business. They operate with a culture and enthusiasm more typical of a start-up company, making BSG an exciting and innovative place to work. To them, I am most grateful.

Our Board of Directors has provided valuable guidance and insight once again in 2016. They asked the right questions, made insightful suggestions and focused intently on actions to ensure growth in shareholder value. To them, all shareholders are greatly indebted.

Norman M. Phipps
Chief Executive Officer

FINANCIAL REVIEW

Financial Review of the Year Ended December 31, 2016

The Company's audited results for the year ended December 31, 2016 are compared against the year ended December 31, 2015 in the accompanying financial statements. BSG's consolidated financial statements are prepared in conformity with United States generally accepted accounting principles ("GAAP").

Certain Terms

Revenues. Revenues are derived primarily from fees charged to wireline and wireless service providers for data clearing, financial settlement, information management, payment and financial risk management, third-party verification and customer service functions.

Cost of Services and Gross Profit. Cost of services arises primarily in the Company's clearinghouse business. Cost of services in the clearinghouse business includes billing and collection fees charged by local exchange carriers ("LECs") and other service providers for payment processing. Such fees are assessed for each record submitted and for each bill rendered to end-user consumers. BSG charges its customers a negotiated fee for billing and collection services. Accordingly, gross profit is generally dependent upon transaction volume, processing fees charged per transaction and any differential between the fees charged to customers by BSG and the related fees charged to BSG by LECs and other service providers.

Operating Expenses. Operating expenses include all selling, marketing, customer service, facilities and administrative costs (including payroll and related expenses) incurred in support of operations, substantially all of which are settled through the payment of cash.

Depreciation and Amortization. Depreciation expense applies to software, furniture and fixtures, telecommunications and computer equipment. Amortization expense relates to definite-lived intangible assets that are amortized in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other*. These assets consist of contracts with customers and LECs. Assets are depreciated or amortized, as applicable, over their respective useful lives. Deferred finance costs are amortized over the term of the related loans.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). Earnings before interest, income taxes, depreciation and amortization, a non-GAAP metric, is a measurement of profitability often used by investors and lenders. The computation of EBITDA also excludes other non-cash and nonrecurring items as additions or deductions to earnings.

Third-Party Payables. Third-party payables include amounts owed to customers in the ordinary course of clearinghouse activities and additional amounts maintained as reserves for retrospective charges from LECs and other parties. In its clearinghouse business, the Company aggregates call records received from its customers. It then submits the call records either to (i) LECs for billing to end-user consumers; or (ii) end-user consumers. The Company collects funds from LECs and directly-billed end-user consumers each day.

Under normal circumstances, funds collected from LECs are distributed to the Company's customers approximately ten days after receipt, under weekly settlement protocols. The Company withholds a portion of the funds received from LECs to pay (i) the Company's processing fees, (ii) billing and collection fees of LECs, (iii) sales and other taxes paid by the Company and (iv) an amount deemed necessary to serve as a reserve against retrospective charges from LECs.

Funds collected from directly-billed end-user consumers are credited to the Company's customers when received. The Company withholds a portion of the funds received from end-user consumers to pay (i) the Company's processing fees, (ii) sales and other taxes paid by the Company and (iii) an amount deemed necessary to serve as a reserve against retrospective charges from payment processors or other parties.

When LECs, payment processors and other parties make payments to the Company, they withhold funds to cover a variety of expenses and potential retrospective charges. As noted above, the Company similarly withholds funds from its customers to cover expenses and retrospective charges. The third-party payables balance is computed as the excess of (i) funds owed to the Company's customers, inclusive of reserves for retrospective charges, over the sum of (ii) amounts owed from the Company's customers and (iii) reserves withheld for retrospective charges by LECs, payment processors and other parties.

Comparison of Results for the Year Ended December 31, 2016 to the Year Ended December 31, 2015

Total Revenues. Total revenues of $30.2 million in 2016 were $6.2 million, or 17%, lower than the $36.4 million of revenues recorded during 2015. The $6.2 million decrease reflects lower transaction volumes across all clearing, settlement and customer service activities provided for landline service providers, partially offset by higher managed service fees from BSG Wireless' offerings.

Cost of Services and Gross Profit. Cost of services in 2016 was $14.2 million, compared to $17.8 million in 2015. The $3.6 million, or 20%, decrease in cost of services largely reflects lower fees for billing and collection services related to the lower level of transaction volumes. The Company generated $16.0 million of gross profit in 2016, compared to $18.5 million in 2015. The gross margin of 53.0% in 2016 is 2.0 percentage points higher than the 51.0% margin achieved in 2015. The improved gross margin in 2016 resulted from a favorable mix of services from the landline business and a larger percentage of revenue from the wireless business, which operates at a higher gross margin level than the landline business.

Operating Expenses. Operating expenses were $10.3 million in 2016, compared to $12.2 million in 2015. The $1.9 million, or 16%, decrease largely reflects reduced compensation expense arising from headcount reductions, compensation adjustments and lower legal expenses.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). The Company generated $5.7 million of EBITDA during 2016, compared to $6.4 million during 2015. A reconciliation of net income and EBITDA in each period follows:

$ millions	Year Ended December 31 2016	2015
Net income	$ 10.9	$ 8.7
Depreciation expense	1.4	1.9
Amortization of intangibles	0.6	0.6
Impairment charge	-	0.2
Stock-based compensation expense	-	0.1
Interest expense	-	0.1
Income tax expense	2.4	0.3
All other income, net	(9.6)	(5.5)
EBITDA	**$ 5.7**	**$ 6.4**

Depreciation and Amortization Expense. Depreciation and amortization expense totalled $2.0 million in 2016, compared to $2.5 million in 2015. The $0.5 million decline reflects cessation of depreciation charges on several categories of capitalized software development costs for which accumulated depreciation reached the assets' respective gross carrying values.

Impairment Charge. In 2015, the Company recorded a $0.2 million non-cash impairment charge against intangible assets. The charge reflected a write-off of the unamortized carrying value of a wireless product offering that was discontinued in 2015. The non-cash impairment charge was not included as a deduction to earnings for purposes of calculating EBITDA.

Stock–based Compensation Expense. The Company recognized $0.1 million of stock-based compensation expense during 2015 which is included within operating expenses. Stock-based compensation expense, all of which is non-cash and related to stock options, was not included as a deduction to earnings for purposes of calculating EBITDA.

Interest Expense. In 2015, the Company incurred $0.1 million of interest expense. Interest expense includes cash payments of interest on borrowed money. The $0.1 million of lower interest expense during 2016 primarily reflected a reduced level of outstanding debt. During 2016, the average debt outstanding was less than $0.1 million compared to an average of $2.7 million in 2015.

Other Income. The Company realized $9.6 million of net other income during 2016, compared to $5.5 million in 2015. Net other income in 2016 was largely attributable to accounting treatment adjustments to indemnification amounts under pending class action litigation, and a net gain arising from the translation of assets and liabilities denominated in British Sterling. The $5.5 million of net other income recognized in 2015 was largely attributable to nonrecurring income arising from the accounting treatment of indemnification charges to former and current clients for their respective shares of direct end-user refunds and allocable expenses related to the class action litigation against two LECs, coupled with write-offs of certain balances owed by former clients, offset by litigation-related accruals.

Other income arises from miscellaneous items typically of a nonrecurring nature. Accordingly, other income items were not included as earnings for purposes of computing EBITDA.

Change in Cash. BSG's cash balance at December 31, 2016 was $15.1 million, compared to $7.4 million at December 31, 2015. The $7.7 million increase in cash during 2016 is largely attributable to a $7.7 million reduction of restricted cash associated with the payment of class action-related expenses and $1.5 million of net receipts on purchased receivables, offset by $0.9 million of capital expenditures, $0.6 million of exchange rate differences and a $0.5 million use of cash in operating activities.

Change in Restricted Cash. In the ordinary course of business, LECs withhold funds from their payments to the Company in order to create a reserve securing potential future obligations of the Company to the LEC. Through December 31, 2014, pursuant to a 2012 agreement with one LEC, the LEC released a net of $14.3 million of cash reserves. The cash was transferred into a restricted Company bank account to be used for funding the Company's indemnification obligation under pending class action litigation against the LEC. During 2015 and 2016, a net amount of $5.0 million and $7.7 million, respectively, were transferred from the restricted cash account to satisfy indemnification obligations, reducing restricted cash to $1.7 million.

Change in Third-Party Payables. Third-party payables at December 31, 2016, inclusive of long-term liabilities, were $10.3 million, compared to $9.6 million at December 31, 2015. The $0.7 million increase in third-party payables during 2016 resulted from $4.2 million of write-offs of amounts owed from former clients, offset by $2.7 million of ordinary course settlement activities and a $0.8 million reduction arising from net collections of purchased receivables.

When the Company purchases receivables from a customer, the Company typically advances approximately 50% of the gross receivable amount to the customer. The remaining 50% is classified as a third-party payable until the Company completes settlement activities related to the purchased receivable. During 2016, the Company decreased purchased receivables by $1.5 million, which resulted in a $0.8 million decrease in third-party payables.

Change in Accrued Liabilities. Accrued liabilities at December 31, 2016 were $6.3 million, compared to $24.2 million at December 31, 2015. The $17.9 million decrease in accrued liabilities resulted from $7.7 million of disbursements for indemnification liabilities to LECs under pending class action litigation (see "*Change in Restricted Cash*" above), $7.6 million of payments and reserve adjustments to the accrual for legal expenses, $1.6 million of payments to the FTC in connection with a regulatory settlement and $1.0 million of net reductions arising from ordinary course payments and adjustments.

Capital Expenditures. During 2016, the Company invested $0.9 million in capital expenditures, primarily for capitalized software development costs and computer equipment. In 2015, capital expenditures totalled $1.5 million.

Cash Flows for the Year Ended December 31, 2016

Cash flow used in operating activities. Net cash used in operating activities was $0.5 million during 2016. Net cash used was principally attributable to a $17.9 million decrease in accrued liabilities and a $0.7 million decrease in trade accounts payable, offset by $10.9 million of net income, a $2.5 million increase in deferred taxes, $2.0 million of depreciation and amortization, a $1.4 million decrease in accounts receivable and a $0.7 million increase in third-party payables.

Cash flow provided by investing activities. Net cash provided by investing activities was $1.0 million, reflecting $1.5 million of net receipts on purchased receivables and $0.3 million of translation adjustments to the carrying value of intangible assets, offset by $0.9 million of capital expenditures.

Cash flow provided by financing activities. Cash provided by financing activities was $7.8 million, primarily attributable to a $7.7 million reduction in restricted cash.

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A copy of this statement is available on the Company's website (*www.bsgclearing.com*), and copies are available from BSG's Nominated Advisor at the address below:

Billing Services Group Limited

c/o finnCap Limited
60 New Broad Street
London EC2M 1JJ
United Kingdom

Forward Looking Statements

This report contains certain "forward-looking" statements and information relating to the plans, objectives, expectations and intentions of the Company that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," "projects," "could," "should," "will" and words or phrases of similar meaning are intended to identify forward-looking statements. Forward-looking statements reflect the Company's current views with respect to future events and financial performance. Such statements, including certain information set forth herein under "Financial Review" that is not historical fact or statement of current condition, reflect management's assessment of the current risks, uncertainties and assumptions related to certain factors including, without limitation, the competitive environment, general economic conditions, customer relations, relationships with local exchange carriers and other vendors, availability of credit, borrowing terms, interest rates, foreign exchange rates, litigation, governmental regulation and supervision, capital expenditures, product development, product acceptance, technological change and disruption, changes in industry practices, one-time events and other factors described herein. Based upon changing conditions or circumstances arising from any one or more of these risks or uncertainties, or should any underlying assumptions prove incorrect, actual results may vary materially from historical or anticipated results as described herein.

Readers are cautioned not to place undue reliance on forward-looking statements. The Company does not intend to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Billing Services Group Limited

Consolidated Balance Sheets
(In thousands, except shares)

	Notes	December 31 2016	December 31 2015
Assets			
Current assets:			
Cash and cash equivalents		**$ 15,111**	$ 7,427
Restricted cash	8	**1,655**	9,317
Accounts receivable		**4,323**	5,720
Purchased receivables		**744**	2,277
Income tax receivable		**-**	534
Prepaid expenses and other current assets		**355**	245
Deferred taxes – current	5	**942**	2,803
Total current assets		**23,130**	28,323
Property, equipment and software		**48,593**	47,953
Less accumulated depreciation		**44,462**	43,340
Net property, equipment and software	2	**4,131**	4,613
Intangible assets, net of accumulated amortization of $75,229 and $74,702 at December 31, 2016 and 2015, respectively	3	**6,427**	7,400
Goodwill	3	**25,275**	25,278
Other assets, net		**65**	165
Total assets		**$ 59,028**	$ 65,779

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Billing Services Group Limited

Consolidated Balance Sheets (continued)

(In thousands, except shares)

	Notes	December 31 2016	December 31 2015
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade accounts payable		**$ 2,206**	$ 2,934
Third-party payables		**10,284**	9,545
Accrued liabilities	8	**6,270**	24,193
Income tax payable		**22**	-
Term loan note payable	4	**178**	-
Total current liabilities		**18,960**	36,672
Deferred taxes – noncurrent	5	**2,865**	2,203
Other liabilities		**89**	84
Total liabilities		**21,914**	38,959
Shareholders' equity:			
Common stock, $0.59446 par value; 350,000,000 shares authorized; 282,415,748 shares issued and outstanding at December 31, 2016 and 2015		**167,885**	167,885
Additional paid-in capital (deficit)		**(175,577)**	(175,606)
Retained earnings		**45,779**	34,866
Accumulated other comprehensive loss		**(973)**	(325)
Total shareholders' equity		**37,114**	26,820
Total liabilities and shareholders' equity		**$ 59,028**	$ 65,779

See accompanying notes.

Billing Services Group Limited

Consolidated Statements of Income and Comprehensive Income
(In thousands, except per share amounts)

	Notes	Years Ended December 31 2016	2015
Operating revenues		**$ 30,151**	$ 36,358
Cost of services		**14,165**	17,824
Gross profit		**15,986**	18,534
Selling, general and administrative expenses		**10,296**	12,227
Depreciation and amortization expense	2, 3	**2,012**	2,572
Impairment charge	1	**-**	195
Operating income		**3,678**	3,540
Other income (expense):			
Interest expense	4	**(5)**	(93)
Interest income		**84**	97
All other income, net		**9,555**	5,457
Total other income, net		**9,634**	5,461
Income before income taxes		**13,312**	9,001
Income tax expense	5	**(2,399)**	(325)
Net income		**10,913**	8,676
Other comprehensive loss		**(648)**	(289)
Comprehensive income		**$ 10,265**	$ 8,387

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Billing Services Group Limited

Consolidated Statements of Income and Comprehensive Income (continued)
(In thousands, except per share amounts)

		Years Ended December 31	
	Notes	**2016**	**2015**
Net income per basic and diluted share:			
Basic net income per share	6	**$ 0.04**	$ **0.03**
Diluted net income per share	6	**$ 0.04**	$ **0.03**
Basic weighted-average shares outstanding		**282,416**	**282,416**
Diluted weighted-average shares outstanding		**289,806**	**288,622**

See accompanying notes.

Billing Services Group Limited

Consolidated Statements of Changes in Shareholders' Equity

(In thousands)

	Number of Shares	Common Stock	Additional Paid-In Capital (Deficit)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Shareholders' equity, December 31, 2014	282,416	$ 167,885	$ (175,690)	$ 26,190	$ (36)	$ 18,349
Stock-based compensation expense	-	-	84	-	-	84
Net income	-	-	-	8,676	-	8,676
Translation adjustment	-	-	-	-	(289)	(289)
Shareholders' equity, December 31, 2015	282,416	167,885	(175,606)	34,866	(325)	26,820
Stock-based compensation expense	**-**	**-**	**29**	**-**	**-**	**29**
Net income	**-**	**-**	**-**	**10,913**	**-**	**10,913**
Translation adjustment	**-**	**-**	**-**	**-**	**(648)**	**(648)**
Shareholders' equity, December 31, 2016	**282,416**	**$ 167,885**	**$ (175,577)**	**$ 45,779**	**$ (973)**	**$ 37,114**

See accompanying notes.

Billing Services Group Limited

Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31	
	2016	**2015**
Operating activities		
Net income	**$ 10,913**	$ 8,676
Adjustments to reconcile net income to		
net cash provided by (used in) operating activities:		
Depreciation	**1,380**	1,913
Amortization of intangibles and other assets	**632**	649
Amortization of deferred finance costs	**-**	10
Stock-based compensation expense	**29**	84
Expense (benefit) in provision for deferred taxes	**2,523**	(157)
Nonrecurring expense	**-**	16,691
Changes in operating assets and liabilities:		
Decrease in accounts receivable	**1,397**	1,329
Decrease in income taxes receivable, net	**556**	460
(Increase) decrease in prepaid expenses and other assets	**(10)**	41
(Decrease) increase in trade accounts payable	**(728)**	492
Increase (decrease) in third-party payables	**744**	(26,836)
Decrease in accrued liabilities	**(17,923)**	(2,151)
Net cash (used in) provided by operating activities	**(487)**	1,201
Investing activities		
Purchases of property, equipment and software	**(898)**	(1,500)
Net receipts on purchased receivables	**1,533**	149
Intangible assets, net	**344**	128
Net cash provided by (used in) investing activities	**979**	(1,223)

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Billing Services Group Limited

Consolidated Statements of Cash Flows (continued)
(In thousands)

	Years Ended December 31	
	2016	**2015**
Financing activities		
Payments on long-term debt	**$ -**	$ (6,281)
Borrowings on term loan note payable	**178**	-
Restricted cash	**7,662**	4,982
Net cash provided by (used in) financing activities	**7,840**	(1,299)
Effect of exchange rate changes	**(648)**	(289)
Net increase (decrease) in cash and cash equivalents	**7,684**	(1,610)
Cash and cash equivalents at beginning of year	**7,427**	9,037
Cash and cash equivalents at end of year	**$ 15,111**	$ 7,427
Supplemental cash flow information		
Cash paid during the year for:		
Interest	**$ -**	$ 93
Taxes	**$ 350**	$ 967

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

Billing Services Group Limited (the "Company" or "BSG Limited") commenced operations effective with the completion of its admission to AiM (a market operated by the London Stock Exchange plc) on June 15, 2005. The Company was formed to succeed to the business of Billing Services Group, LLC and its subsidiaries. Through its operating entities, the Company provides clearing and financial settlement products, innovative Wi-Fi roaming solutions to mobile carriers and network operators and third-party verification services to the telecommunications, cable and utilities industries. The Company was incorporated and registered in Bermuda on May 13, 2005.

Principles of Consolidation

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries, Billing Services Group North America, Inc. ("BSG North America") and BSG Wireless Limited ("BSG Wireless"), and their respective subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with original maturities of three months or less. The Company holds cash and cash equivalents at several major financial institutions in amounts that often exceed Federal Deposit Insurance Corporation insured limits for United States deposit accounts.

Restricted Cash

Restricted cash represents deposits made under the deposit account security and control agreement (the "Deposit Agreement") discussed in Note 8.

1. Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Management believes all receivables to be collectible, and there is no need for an allowance as of December 31, 2016 and 2015.

Purchased Receivables

The Company offers advance funding arrangements to certain customers. Under the terms of the arrangements, the Company purchases the customer's accounts receivable for an amount equal to the face amount of the call record value submitted to the local exchange carriers ("LECs") by the Company, less various deductions, including financing fees, LEC charges, rejects and other similar charges. The Company advances 40% to 72% of the purchased receivable to the customer and charges financing fees at rates up to 8% per annum over prime (prime was 3.75% and 3.50% per annum at December 31, 2016 and 2015, respectively) until the funds are received from the LECs. The face amount of the call record value is recorded as purchased receivables in the consolidated balance sheets.

Concentration of Credit Risk and Significant Customers

At December 31, 2016, ten customers represented approximately 37% of accounts receivable, and seven customers represented 100% of outstanding purchased receivables. At December 31, 2015, ten customers represented approximately 42% of accounts receivable, and nine customers represented 100% of outstanding purchased receivables. Credit risk with respect to trade accounts receivable generated through billing services is limited as the Company collects substantially all of its fees through receipt of cash directly from the LECs. For the year ended December 31, 2016, twenty customers represented approximately 72% of consolidated revenues. For the year ended December 31, 2015, twenty customers represented approximately 65% of consolidated revenues.

1. Organization and Summary of Significant Accounting Policies (continued)

Property, Equipment and Software

Property, equipment and software are primarily composed of furniture and fixtures, telecommunication equipment, computer equipment and software and leasehold improvements, including capitalized interest, which are recorded at cost. The cost of additions and substantial improvements to property and equipment, including software being developed for internal use, is capitalized. The cost of maintenance and repairs of property and equipment is charged to operating expenses. Property, equipment and software are depreciated using the straight-line method over their estimated useful lives, which range from three to seven years. Leasehold improvements are depreciated over the shorter of the remaining lease term or the estimated useful life of the asset. Upon disposition, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in selling, general and administrative expenses for that period.

Impairment of Long-Lived Assets

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition and other economic factors. The Company recognized an impairment loss of $0 and $0.2 million during the years ended December 31, 2016 and 2015, respectfully.

Capitalized Software Costs

The Company capitalizes the cost of internal-use software that has a useful life in excess of one year. These costs consist of payments made to third parties and the salaries of employees working on such software development. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred.

1. Organization and Summary of Significant Accounting Policies (continued)

The Company also develops software used in providing services. The related software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning and high-level design activities that are necessary to determine that the software can be developed to meet design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the software is available for use.

Capitalized software development costs for completed software development projects, including capitalized interest, are transferred to computer software, and are then depreciated using the straight-line method over their estimated useful lives, which generally range from four to seven years. When events or changes in circumstances indicate that the carrying amount of capitalized software may not be recoverable, the Company assesses the recoverability of such assets based on estimates of future undiscounted cash flows compared to net book value. If the future undiscounted cash flow estimates are less than net book value, net book value would then be reduced to estimated fair value, which generally approximates discounted cash flows. The Company also evaluates the amortization periods of capitalized software assets to determine whether events or circumstances warrant revised estimates of useful lives.

For the years ended December 31, 2016 and 2015, the Company capitalized $0.5 million and $1.2 million of software development costs, respectively. During 2016 and 2015, the Company transferred $0.9 million and $1.0 million, respectively, of software development costs to computer software. Depreciation expense on computer software was $1.0 million and $1.5 million for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the Company had undepreciated software costs of $3.3 million and $3.4 million, respectively.

Intangible Assets and Goodwill

The Company classifies intangible assets as definite-lived, indefinite-lived or goodwill. The Company accounts for its intangible assets and goodwill in accordance with the provisions of Accounting Standards Codification (“ASC”) 350, *Intangibles – Goodwill and Other*.

Definite-lived intangible assets consist of customer and local exchange carrier contracts, both of which are amortized over the respective lives of the agreements. The Company periodically reviews the appropriateness of the amortization periods related to its definite-lived assets. These assets are recorded at amortized cost.

1. Organization and Summary of Significant Accounting Policies (continued)

The Company tests for possible impairment of definite-lived intangible assets whenever events or changes in circumstances, such as a reduction in operating cash flow or a material change in the manner for which the asset is intended to be used, indicate that the carrying amount of the asset may not be recoverable. If such indicators exist, the Company compares the undiscounted cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the undiscounted cash flow amount, an impairment charge is recorded in amortization expense in the consolidated statements of operations for amounts necessary to reduce the carrying value of the asset to fair value.

The Company's indefinite-lived intangible assets consist of trademarks, which were originally recorded at their acquisition date fair value. The Company's indefinite-lived intangible assets are not subject to amortization but are tested for impairment at least annually. The Company tests its indefinite-lived intangible assets for impairment annually on October 1, or more frequently when events or changes in circumstances indicate that impairment may have occurred.

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not subject to amortization, but is tested for impairment at least annually. Impairment may exist when the carrying amount of the reporting unit exceeds its estimated fair value. Assessing the recoverability of goodwill requires the Company to make estimates and assumptions about sales, operating margins, growth rates and discount rates based on its budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors.

The Company tests goodwill for impairment using a two-step process. The first step, used to screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired, and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill. After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill becomes its new accounting basis. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited.

1. Organization and Summary of Significant Accounting Policies (continued)

Third-Party Payables

The Company provides clearing and financial settlement solutions to telecommunications and other service providers through billing agreements with LECs and through direct billing with end-user consumers.

For its LEC billing transactions, the Company receives individual call records from telecommunications and other service providers and processes and sorts the records for transmittal to various LECs, which maintain the critical database of end-user names and addresses of the billed parties. Invoices to end-users are generated by the LECs, and the collected funds are remitted to the Company, which in turn remits these funds to its customers, net of fees, reserves, taxes and other charges.

For its direct billing transactions, the Company receives individual call records from telecommunications and other service providers, processes the records and generates and submits invoices to end-users for payment. Funds are collected by the Company, which in turn remits these funds to its customers, net of fees, reserves, taxes and other charges.

Reserves represent cash withheld from customers to satisfy future obligations on behalf of the customers. These obligations consist of bad debt, customer service, indemnification obligations and other miscellaneous charges. The Company records trade accounts receivable and service revenue for fees charged to process the call records. When the Company collects funds from the LECs and end-user consumers, the Company’s trade receivables are reduced by the amount corresponding to the processing fees, which are retained by the Company. In certain instances, the Company also retains a reserve from its customers’ settlement proceeds to cover the LECs’ billing fees and other charges. The remaining funds due to customers are recorded as liabilities and reported in third-party payables in the consolidated balance sheets.

Revenue Recognition

For its LEC billing business, the Company provides its services to telecommunications and other service providers through billing arrangements with network operators. Revenue is recognized when its customers’ records are processed and accepted by the Company. For its Wi-Fi roaming solutions, third-party verification and direct billing businesses, the Company recognizes revenue when services are rendered.

1. Organization and Summary of Significant Accounting Policies (continued)

Earnings Per Share

The Company computes earnings per share under the provisions of ASC 260, *Earnings Per Share*, whereby basic earnings per share are computed by dividing net income or loss attributable to common shareholders by the weighted-average number of shares of common stock outstanding during the applicable period. Diluted earnings per share are determined in the same manner as basic earnings per share except that the number of shares is increased to assume exercise of potentially dilutive stock options using the treasury stock method, unless the effect of such increase would be anti-dilutive.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses and gains and losses be included in net income. Although certain changes in assets and liabilities, such as translation gains and losses, are reported as a separate component of the equity section on the balance sheet, such items, along with net income, are components of comprehensive income.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and noncurrent based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized.

1. Organization and Summary of Significant Accounting Policies (continued)

U.S. generally accepted accounting principles ("GAAP") requires that the Company recognize the impact of a tax position that is more likely than not to be disallowed upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. Tax positions taken related to the Company's tax status and federal and state filing requirements have been reviewed, and management is of the opinion that they would more likely than not be sustained by examination. Accordingly, the Company has not recorded an income tax liability for uncertain tax benefits. As of December 31, 2016, the Company's tax years 2013 and thereafter remain subject to examination for federal tax purposes, and 2010 and thereafter remain subject to examination for state tax purposes.

The Company and its subsidiaries are subject to federal income taxes in the United States and United Kingdom and various state income taxes.

Stock-Based Compensation

Under the fair value recognition provisions of ASC 718-10, *Compensation – Stock Compensation*, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense on a straight-line basis over the vesting period. Determining the fair value of stock-based awards at the grant date requires assumptions and judgments about expected volatility and forfeiture rates, among other factors.

Foreign Currency

Results of operations of the Company, as appropriate, are translated into U.S. dollars using the average exchange rates during the year. The assets and liabilities of those entities are translated into U.S. dollars using the exchange rates at the balance sheet date. The related translation adjustments are recorded in a separate component of shareholders' equity, "Accumulated other comprehensive income." Foreign currency transaction gains and losses are included in the statement of operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

New Accounting Standards and Disclosures

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The guidance in this ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Company is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements and related disclosures.

Deferred Taxes

In November 2015, FASB issued ASU No. 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes*. The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted and the standard may be applied either retrospectively or on a prospective basis to all deferred tax assets and liabilities. The Company has not yet adopted ASU 2015-17, but expects it to have no impact on the Company's results of operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue

In May 2014, FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the effects the adoption of the standard will have on the consolidated financial statements and related disclosures.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

Subsequent Events

Subsequent events were evaluated through March 29, 2017, the date at which the consolidated financial statements were available to be issued.

2. Property, Equipment and Software

Property, equipment and software consisted of the following:

	December 31	
	2016	**2015**
	(In thousands)	
Furniture and fixtures	**$ 269**	$ 275
Telecommunication equipment	**1,839**	1,839
Computer equipment	**6,659**	6,399
Computer software	**37,654**	36,689
Software development, including $196 of capitalized interest at December 31, 2015	**-**	579
Leasehold improvements	**2,172**	2,172
	48,593	47,953
Less accumulated depreciation	**44,462**	43,340
Net property, equipment and software	**$ 4,131**	$ 4,613

Depreciation expense was $1.4 million and $1.9 million for the years ended December 31, 2016 and 2015, respectively.

3. Intangible Assets

Definite-lived intangible assets consist of customer and local exchange carrier contracts, which are amortized over their respective estimated lives. The weighted-average amortization period is approximately ten years.

Indefinite-lived intangible assets consist of trademarks. Trademarks are not subject to amortization but are tested for impairment at least annually.

3. Intangible Assets (continued)

The following table presents the gross carrying amount and accumulated amortization for each major category of intangible assets:

	2016		2015		
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**	**Amortization Period**
	(In thousands)				
Customer contracts	**$ 70,350**	**$ 69,456**	$ 70,602	$ 69,372	10 years
Local exchange carrier contracts	**6,640**	**5,773**	6,640	5,330	15 years
Trademarks	**4,666**	**-**	4,860	-	N/A
	$ 81,656	**$ 75,229**	$ 82,102	$ 74,702	

Total amortization expense from definite-lived intangibles was $0.6 million for each of the years ended December 31, 2016 and 2015. The estimate of amortization expense for the five succeeding fiscal years for definite-lived intangibles is $0.6 million for 2017 and 2018 and $0.2 million each for 2019 through 2021.

The following table presents the change in carrying amount of goodwill for the years ended December 31, 2016 and 2015:

	Total
	(In thousands)
Balance as of December 31, 2014	$ 25,281
Adjustments – 2015	(3)
Balance as of December 31, 2015	25,278
Adjustments – 2016	**(3)**
Balance as of December 31, 2016	**$ 25,275**

4. Debt

On June 30, 2011, the Company refinanced its debt and entered into a $48 million credit agreement (the “Term Loan Facility”). The Term Loan Facility was secured by all of BSG North America’s assets and guarantees from most of the Company’s subsidiaries.

Interest under the Term Loan Facility was charged, at the Company’s option, at the U.S. prime rate plus a specified margin, or the London Interbank Offered Rate (“LIBOR”) plus a specified margin, and if the LIBOR option is selected, a LIBOR floor of 0.75% per annum. The margin was determined based on the Company’s leverage ratio, as defined in the credit agreement. At June 30, 2015, the interest rate on the Term Loan Facility was 3.25% per annum.

The Term Loan Facility required quarterly principal payments of $2.4 million through June 2015 and monthly payments of $0.5 million at each month end of July, August and September 2015. It also required mandatory prepayments relating to (i) 75% of BSG North America’s excess cash flow, as defined; and (ii) certain other occurrences for which mandatory prepayment is a usual and customary consequence in credit agreements of this nature. Outstanding loans may be prepaid at any time without prepayment premium or penalty.

During 2015, the Company did not generate any consolidated excess cash flow, as defined in the Term Loan Facility. Accordingly, no related additional principal payment was required.

The Term Loan Facility was repaid in full on September 30, 2015.

On December 1, 2016, the Company financed the purchase of computer equipment through a term loan in the amount of $0.2 million. The term loan note requires 36 equal monthly payments of principal and interest, commencing January 1, 2017. The interest rate is fixed at 4.425% per annum. The outstanding note may be prepaid at any time without penalty.

5. Income Taxes

The components of the Company's income tax expense (benefit) are as follows:

	Years Ended December 31 2016	2015
	(In thousands)	
Current expense (benefit):		
Federal	**$ (5)**	$ 305
State	**89**	177
Foreign	**(208)**	-
	(124)	482
Deferred expense (benefit):		
Federal	**2,375**	(166)
State	**9**	9
Foreign	**139**	-
	2,523	(157)
Total income tax expense	**$ 2,399**	$ 325

The income tax provision differs from amounts computed by applying the U.S. federal statutory tax rate to income before income taxes as follows:

	Years Ended December 31 2016	2015
	(In thousands)	
Estimated federal tax expense at 35%	**$ 4,659**	$ 3,149
Increases (reductions) from:		
State tax, net of federal deferred tax benefit	**68**	124
Provision to return adjustment	**43**	32
Nonrecurring other income	**(843)**	(3,098)
Tax credits and permanent differences	**(400)**	(219)
Foreign tax rate differential	**(913)**	176
Valuation allowance	**-**	656
Other	**(215)**	(495)
Income tax expense	**$ 2,399**	$ 325

5. Income Taxes (continued)

Deferred income taxes result from temporary differences between the bases of assets and liabilities for financial statement purposes and income tax purposes. The net deferred tax assets and liabilities reflected in the consolidated balance sheets include the following amounts:

	December 31 2016	December 31 2015
	(In thousands)	
Current deferred tax assets (liabilities):		
Reserve for bad debts	**$ 12**	$ 7
Accrued liabilities	**227**	2,058
State taxes	**320**	329
Stock-based compensation expense	**472**	466
Prepaid expense	**(89)**	(57)
Total current deferred tax asset, net	**942**	2,803
Noncurrent deferred tax assets (liabilities):		
Property, equipment and software	**1,263**	1,162
Intangible assets	**(4,544)**	(2,277)
Capitalized interest	**(1,379)**	(1,379)
Net operating loss carryforward	**6,050**	1,931
Valuation allowance on NOL	**(5,015)**	(866)
Accrued liabilities	**1,337**	-
Cancellation of debt deferral	**(577)**	(774)
Total noncurrent deferred tax liability, net	**(2,865)**	(2,203)
Net deferred tax (liabilities) assets	**$ (1,923)**	$ 600

5. Income Taxes (continued)

At December 31, 2016, BSG North America had state net operating loss credit carryforwards of approximately $0.5 million, which will expire in 2026. At December 31, 2016, BSG North America had net operating loss credit carryforwards of approximately $0.1 million with a full valuation allowance. At December 31, 2016, BSG Wireless had a net operating loss credit carryforward of $5.1 million, for which there is no valuation allowance. At December 31, 2016, BSG Wireless Solutions Ltd. and Connection Services Holdings Ltd., each a subsidiary of BSG Wireless, had net operating loss credit carryforwards of $18.8 million and $5.6 million, respectively, each with a fully offsetting valuation allowance. Both BSG Wireless Solutions Ltd. and Connection Services Holdings Ltd. are dormant entities without business operations that could allow realization of their respective net operating loss credit carryforwards.

Realization of deferred tax assets is dependent upon, among other things, the ability to generate taxable income of the appropriate character in the future. Management is of the opinion that it is more likely than not that its deferred tax assets, less applicable valuation allowances, will be realized.

6. Earnings Per Share

Earnings per share are calculated based on the weighted-average number of shares of the Company's common stock outstanding during the period.

The following is a summary of the elements used in calculating basic and diluted income per share:

	Years ended December 31 2016	2015
	(In thousands, except per share amounts)	
Numerator:		
Net income	**$ 10,913**	$ 8,676
Denominator:		
Weighted-average shares – basic	**282,416**	282,416
Effect of diluted securities:		
Options	**7,390**	6,206
Weighted-average shares – diluted	**289,806**	288,622
Net income per common share:		
Basic and diluted	**$ 0.04**	$ 0.03

7. Commitments

The Company leases certain office space and equipment under various operating leases. Annual future minimum lease commitments as of December 31, 2016, are as follows (in thousands):

Year ending December 31:	
2017	$ 727
2018	569
2019	81
2020	79
2021	77

Rental expense under these operating leases approximated $0.7 million and $0.5 million for the years ended December 31, 2016 and 2015, respectively.

8. Contingencies

The Company is involved in various claims, legal actions and regulatory proceedings arising in the ordinary course of business. The Company believes it is unlikely that the final outcome of any of the claims, litigation or proceedings to which the Company is a party will have a material adverse effect on the Company's consolidated financial position or results of operations; however, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's consolidated financial position and results of operations for the fiscal period in which such resolution occurs.

8. Contingencies (continued)

In June 2012, the Company executed an agreement regarding reserves (the "Reserve Agreement"), as well as a deposit account security and control agreement (the "Deposit Agreement"), with one of the largest U.S. LECs. These agreements were prompted by this LEC's intention to settle a nationwide class action lawsuit and the resulting indemnification obligations that would be owed by the Company to the LEC as a result of the settlement. The Reserve Agreement permits this LEC to deduct funds from amounts otherwise payable to the Company to cover obligations under the Billing and Collection Agreement between the Company and the LEC. The Deposit Agreement permits this LEC to deposit amounts in an account held in the name of both the LEC and Company; however, funds can only be released at the sole direction of the LEC. The amount of restricted cash, as indicated on the consolidated balance sheets, represents the net deposits made by the LEC in connection with the Deposit Agreement.

Included in accrued liabilities at December 31, 2016 and 2015 are approximately $2.4 million and $17.6 million, respectively, in reserves which are comprised of these deposits and other payables available to satisfy potential future obligations.

During 2016 and 2015, the Company allocated approximately $1.0 million and $25.5 million, respectively, in class action settlement expenses to its customer base. These allocations included both direct end-user payments and shared expenses (*e.g.,* claims administration, counsel fees, *etc*.). These expenses had been previously paid by the local exchange carriers and withheld in the settlement process. This allocation resulted in certain customer accounts payable balances being reclassified to receivable balances and ultimately deemed uncollectible and written off for a non-cash expense of $16.7 million. In addition, the Company established accruals in December 2015 for certain legal settlements it considered more likely than not would conclude in 2016. The net sum of these actions represents the "All other income, net" amount shown in the accompanying Consolidated Statements of Income and Comprehensive Income in 2016 and 2015.

9. Employee Benefit Plan

A Company subsidiary sponsors a 401(k) retirement plan (the "Retirement Plan"), which is offered to eligible employees. Generally, all U.S.-based employees are eligible for participation in the Retirement Plan. The Retirement Plan is a defined contribution plan, which provides that participants may make voluntary salary deferral contributions, on a pretax basis, in the form of voluntary payroll deductions, subject to annual Internal Revenue Service limitations. The Company matches a defined percentage of a participant's contributions, subject to certain limits, and may make additional discretionary contributions. For each of the years ended December 31, 2016 and 2015, the Company's matching contributions totaled $0.1 million. No discretionary contributions were made in either period.

10. Stock Option Plans

The Company adopted a stock option plan in 2005. On August 15, 2008, the Board of Directors adopted resolutions to amend and restate both the Billing Services Group Limited Stock Option Plan and the BSG Clearing Solutions North America, Inc. Stock Option Plan (the "BSG Limited Plan" and the "BSG North America Plan," respectively). In December 2012, the Company's shareholders approved a resolution to amend the BSG Limited Plan and the BSG North America Plan. This resolution enables the Company's directors, under the BSG Limited Plan and the BSG North America Plan, to grant options up to an aggregate amount of 15% of the number of common shares in issue at the time of the proposed grant. Prior to this resolution, the aggregate number of options granted was limited to 10% of the number of common shares in issue at the time of the proposed grant. In September 2015, the Board of Directors approved the cancellation and reissuance of 2,987,500 nonqualified stock options, held by 33 employees. The modification had no material effect on compensation expense recognized in 2015.

Options may be granted at the discretion of the remuneration committee to any director or employee and are generally granted with an exercise price equal to or greater than the market price of the Company's stock at the grant date. Directors may be granted options in the BSG Limited Plan and employees may be granted options in the BSG North America Plan. Options granted under the BSG North America Plan are exercisable into shares of the Company.

10. Stock Option Plans (continued)

Outstanding options generally vest over a three-year period following the grant date. One-quarter of the total number of options typically vest on the grant date, and the remaining 75% of options vest in equal tranches on the first, second and third anniversary of the grant. Generally, an option is exercisable only if the holder is in the employment of the Company or one of its affiliates (or for a period of time following employment, subject to the discretion of the remuneration committee), or in the event of a change in control of the Company. Upon a change in control, generally, all options vest immediately. The options have a contractual life of ten years.

The fair value of the options is computed using the Black-Scholes option pricing model. The following table sets forth the assumptions used in arriving at the fair value of the options granted during 2015:

		Assumptions			
Grant Date	**Grant Date Fair Value**	**Risk-free Interest Rate**	**Dividend Yield**	**Expected Volatility**	**Expected Life (years)**
April 2015	1.3 pence	1.91%	0%	41.4%	5.75
September 2015	1.2 pence	2.28%	0%	44.2%	5.75

The Company estimated the risk-free interest rate in reference to the yield on U.S. Treasury securities with a maturity date commensurate with the expected term of the associated award. A decrease in the selected risk-free rate would decrease the fair value of the instrument. Expected volatility is based on implied volatility from historical market data for the Company. The expected option lives are based on a mathematical average with respect to vesting and contractual terms.

No options were granted during 2016.

10. Stock Option Plans (continued)

The following is a summary of option activity:

	Options Outstanding	Weighted-Average Exercise Price
Options outstanding at December 31, 2014	11,580,522	8.9 pence
Granted	6,696,250	
Cancelled	(2,987,500)	
Forfeited	(4,560,000)	
Options outstanding at December 31, 2015	10,729,272	6.0 pence
Granted	-	
Forfeited	(640,000)	
Options outstanding at December 31, 2016	**10,089,272**	**6.2 pence**
Options exercisable at December 31, 2016	**7,389,897**	**7.1 pence**
Options available for grant at December 31, 2016	**19,249,808**	

All of the options granted during 2015 were granted under the BSG North America Plan.

As of December 31, 2016, there was less than $0.1 million of total unrecognized noncash compensation cost related to nonvested share-based compensation arrangements granted under the BSG North America Plan. That cost is expected to be recognized during 2017 and 2018.

10. Stock Option Plans (continued)

The following is a summary of nonvested option activity:

	Number of Options	Weighted-Average Exercise Price
Nonvested options outstanding at December 31, 2014	2,470,625	8.0 pence
Granted	5,022,187	
Vested	(1,551,875)	
Cancelled	(562,500)	
Forfeited	(855,000)	
Nonvested options outstanding at December 31, 2015	4,523,437	3.5 pence
Granted	-	
Vested	(1,372,187)	
Forfeited	(451,875)	
Nonvested options outstanding at December 31, 2016	**2,699,375**	**3.5 pence**