

Company Registration No. 03125867 (England and Wales)

ACTIVEOPS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017



ACTIVEOPS LIMITED

COMPANY INFORMATION

Directors	N C Bentley P A Deller M D Elton S F Finnan R J Jeffery R L H Moore J A O'Connell
Secretary	P A Deller
Company number	03125867
Registered office	One Valpy 20 Valpy Street Reading Berkshire RG1 1AR
Auditors	RSM UK Audit LLP Chartered Accountants Third Floor One London Square Cross Lanes Guildford Surrey GU1 1UN

ACTIVEOPS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their strategic report for the year ended 31 March 2017.

Fair review of the business

2016/17 has seen a significant step forward compared with the previous year, with reported revenues increasing by 51% to £11.7m including SaaS revenues growing 53% to £6.8m. Operating costs have reduced by 7% to £6.5m following the refocus of resources at the end of the previous financial year, to generate EBITDA of £1.3m versus the previous year's loss of £2.4m.

The momentum generated from strong sales in the final quarter of 2015/16 continued and accelerated through 2016/17 driving the recurring SaaS revenue at the end of the year to be 153% ahead of the position at the end of the previous year.

The business has invested additional resource in sales and marketing to continue to drive growth, along with Client Services to ensure that customers obtain the best possible outcome from their investments. Other investment includes dedicated resources focused on our growing Partner network to both support implementations and drive incremental sales.

Significant new customers have been added to the portfolio along with growth of existing customers that has resulted in 12% increase in the number of people using the Workware platform to over 51,300 users.

Principal risks and uncertainties

A number of potential risks and uncertainties exist which could have a material impact on the Group's reported performance versus expectations. Management looks to identify material risks and put in place contingency plans where appropriate to mitigate the Group's potential exposure.

As a result of the increasing demand for back office workforce optimization, the market is becoming increasingly competitive. This is mitigated by building strong customer relationships along with developing the product offering to ensure that customers continue to benefit from the ongoing value of their investment in the solution.

The Group operates internationally and is therefore faced with the uncertainty concerning changes in political and economic factors in different regions of the World. The Group actively monitors these changes and takes action where it is thought appropriate.

The Group's facilities could be disrupted by events beyond its control such as an office not being available for any reason. The Group has policies and plans in place to mitigate these risks to ensure that the business can continue to operate effectively for the most foreseeable situations.

Movement in exchange rates is mitigated by looking to match revenues with expenses where possible.

Development and performance

On the 1 April 2017, the group acquired its Australian reseller which has added revenues of £3.2m to the Group, as well as bringing incremental product expertise and resource to further enhance the product proposition.

The group has continued its investment in product and released Workware v6 with an improved user interface, new dashboards and the Workware Mobile app. The cost of developing the SaaS platform is expensed through the statement of comprehensive income when the costs are incurred.

The Groups Chief Executive Richard Jeffery relocated to New York towards the end of the financial year to provide focus and drive to the North American organization. Contracts previously under the Canadian Franchise have been novated to a new Canadian Legal entity and the business is now poised to exploit the North American market.

ACTIVEOPS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

The South African business has grown substantially with revenues growing by 60% and increased client diversity, providing the business with a more stable base from which to operate.

Key performance indicators

The management team monitors a number of key performance indicators to ensure the company's strategic objectives are met. These include a range of financial and non-financial measures to cover the core elements of the business.

The customer base closed with 51,336 active users on the Workware platform, representing an increase of 12% over the prior year with SaaS user growth in Europe at 30% versus the prior year.

The annuity revenue run rate or SaaS revenues at the end of March 2017 now stands at £6.9m compared with £4.5m at the end of 2015/16, an increase of 153%. There were 43 delivery projects in the year (excluding one off training courses and customer diagnostics) across both new and existing customers, compared with 37 in the previous year. This supports the growing evidence that the market is developing, as highlighted by Gartner's and others recent reports on the sector.

Other information and explanations

The business has developed a robust plan to deliver:

1. **Growth** - by a portfolio of investments in regions designed to maintain current rate of growth (Europe & SA), accelerate growth (AsiaPac) and build a platform for exponential growth (US) yielding over the next 3 years.
2. **Financial Strength** - from achieving profitability and cash generative business. The business bills 100% of new customers annually in advance for SaaS services and has converted the majority of existing clients annual in advance billing driving an operating cashflow of £2.2m, with £3.6m in the bank at the year end. This is supported by an additional financing facility secured in April 2016 of a £1m term loan and a further £1m revolving credit facility, to provide ongoing financial strength to the business.
3. **Global Authority**- by increasing the number of jurisdictions where we have a direct market presence, selling to clients with global operations and increasing our engagement with industry authorities and analysts.

On behalf of the board



P A Deller
Director & Group CFO

3 August 2017

ACTIVEOPS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Strategic report

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 information that would otherwise be required to be contained in the directors report. Therefore, please refer to the strategic report for further details regarding the performance of the company and its group during the year under review.

Principal activities

The principal activity of the company and its group continued to be the provision of hosted operations management SaaS solutions to industry leading companies around the world.

Going concern

Profits generated in the year have moved the group's balance sheet into a net assets position with the group continuing to have access to a £1m revolving credit facility, which remains in place until 31 March 2019.

The directors have reviewed cash flow forecasts for the business covering a period of at least twelve months from the date of approval of these financial statements, and together with the projected revenue and available banking facilities they are confident that sufficient funding is available to support ongoing trading activity and investment plans for the business. The financial statements have therefore been prepared on a going concern basis.

Directors

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

N C Bentley
P A Deller
M D Elton
S F Finnan
R J Jeffery
R L H Moore
J A O'Connell

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid during the year and the directors do not recommend payment of a final dividend.

ACTIVEOPS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Post Balance Sheet Events

The following significant events have taken place since 31 March 2017:

Australian franchise acquisition

On the 1 April 2017, the group acquired its Australian franchise through a combination of the issue of additional share capital and a cash payment that was funded from on-going cash flow and a long term loan repayable in quarterly instalments by March 2019. This acquisition has increased the size of the group with revenues at £14.9m and an EBITDA of £2m on a like-for-like basis. The acquisition has also added incremental product expertise and resource to further enhance the product proposition.

On acquisition, the structure of the entities became that ActiveOps Ltd owns 100% of the issued share capital of ActiveOps Australia Pty Ltd, which in turn, owns 100% of the share capital of Active Operations Management Australia Pty Ltd.

Transfer of ownership of share capital of the subsidiary, Active Operations Management India

Active Operations Management India has continued to be consolidated on the basis of control. ActiveOps Ltd acquired 95% of the shares of Active Operations Management India in June 2017.

Change to head office and registered office location

On the 19 June 2017, head office operations moved into new premises at One Valpy in Reading bringing the UK based team into one location under a ten year lease (expiring on 24 March 2027) with a 5 year break clause, which is reflected as such within the operating lease commitments note to the financial statements.

Auditor

In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the company and the group will be put at a General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



.....
P A Deller
Director & Group CFO

3 August 2017

ACTIVEOPS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and its group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and its group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and its 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 its group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACTIVEOPS LIMITED

Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 8 to 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's and the group's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

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

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 and, based on the work undertaken in the course of our audit, the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

RSM UK Audit LLP

Jonathan Da Costa (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Third Floor, One London Square, Cross Lanes Guildford, Surrey GU1 1UN

4 August 2017

ACTIVEOPS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017 £	2016 £
Turnover	3	11,743,087	7,792,928
Cost of sales		(3,922,430)	(3,059,555)
Gross profit		<u>7,820,657</u>	<u>4,733,373</u>
Administrative expenses		(6,691,637)	(7,296,472)
Operating profit/(loss)	4	<u>1,129,020</u>	<u>(2,563,099)</u>
Interest receivable and similar income	8	29,057	8,160
Interest payable and similar charges	9	(155,235)	(75,012)
Profit/(loss) on ordinary activities before taxation		<u>1,002,842</u>	<u>(2,629,951)</u>
Taxation	10	188,488	164,136
Profit/(loss) for the financial year and total comprehensive income for the year		<u>1,191,330</u> =====	<u>(2,465,815)</u> =====

Total comprehensive income for the year is all attributable to the owners of the parent company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 £	2016 £
Fixed assets			
Intangible assets – Goodwill	11	-	13,638
Other intangible assets	11	397	111,809
Total intangible assets		<u>397</u>	<u>125,447</u>
Tangible assets	12	112,276	102,687
		<u>112,673</u>	<u>228,134</u>
Current assets			
Debtors	15	4,518,063	2,660,373
Cash at bank and in hand		3,592,188	764,164
		<u>8,110,251</u>	<u>3,424,537</u>
Creditors: amounts falling due within one year	16	(5,667,141)	(2,641,365)
Net current assets		<u>2,443,110</u>	<u>783,172</u>
Total assets less current liabilities		<u>2,555,783</u>	<u>1,011,306</u>
Creditors due after more than one year	17	(1,463,397)	(1,130,061)
Net assets/(liabilities)		<u>1,092,386</u> =====	<u>(118,755)</u> =====
Capital and reserves			
Called up share capital	22	15,828	15,664
Share premium account	24	4,347,028	4,344,468
Share option reserve	24	211,367	213,123
Profit and loss account	24	(3,481,837)	(4,692,010)
Total equity attributable to owners of the parent		<u>1,092,386</u> =====	<u>(118,755)</u> =====

The financial statements on pages 8 to 38 were approved by the board of directors and authorised for issue on 3 August 2017 and are signed on its behalf by:



P A Deller
Director & Group CFO

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	12	80,513	64,277
Investments	13	77,805	76,381
		<u>158,318</u>	<u>140,658</u>
Current assets			
Debtors	15	7,025,643	4,326,567
Cash at bank and in hand		2,088,270	558,900
		<u>9,113,913</u>	<u>4,885,467</u>
Creditors: amounts falling due within one year	16	(6,629,748)	(3,074,503)
Net current assets		<u>2,484,165</u>	<u>1,810,964</u>
Total assets less current liabilities		<u>2,642,483</u>	<u>1,951,622</u>
Creditors due after more than one year	17	(1,463,397)	(1,130,061)
Net assets		<u>1,179,086</u> =====	<u>821,561</u> =====
Capital and reserves			
Called up share capital	22	15,828	15,664
Share premium account	24	4,347,028	4,344,468
Share option reserve	24	211,367	213,123
Profit and loss account	24	(3,395,137)	(3,751,694)
Total equity attributable to owners of the parent		<u>1,179,086</u> =====	<u>821,561</u> =====

As permitted by section 408 Companies Act 2006, the company has not presented its own profit and loss accounts and related notes. The company's profit for the year was £337,715 (2016: £1,797,629 loss).

The financial statements on pages 8 to 38 were approved by the board of directors and authorised for issue on 3 August 2017 and are signed on its behalf by:



.....
P A Deller
Director & Group CFO

ACTIVEOPS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Share premium account £	Share option reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2015		15,376	4,294,529	224,802	(2,251,641)	2,283,066
Period ended 31 March 2016:						
Loss and total comprehensive income for the year		-	-	-	(2,465,815)	(2,465,815)
Issue of share capital	22	288	49,939	-	-	50,227
Grant of share options	23	-	-	13,767	-	13,767
Reserve transfer	23	-	-	(25,446)	25,446	-
Balance at 31 March 2016		<u>15,664</u>	<u>4,344,468</u>	<u>213,123</u>	<u>(4,692,010)</u>	<u>(118,755)</u>
Period ended 31 March 2017:						
Profit and total comprehensive income for the year		-	-	-	1,191,330	1,191,330
Issue of share capital	22	164	2,560	-	-	2,724
Grant of share options	23	-	-	17,086	-	17,086
Reserve transfer	23	-	-	(18,842)	18,842	-
Balance at 31 March 2017		<u>15,828</u> =====	<u>4,347,028</u> =====	<u>211,367</u> =====	<u>(3,481,837)</u> =====	<u>1,092,386</u> =====

ACTIVEOPS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Share premium account £	Share option reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2015		15,376	4,294,529	224,802	(1,979,511)	2,555,196
Period ended 31 March 2016:						
Loss and total comprehensive income for the year		-	-	-	(1,797,629)	(1,797,629)
Issue of share capital	22	288	49,939	-	-	50,227
Grant of share options	23	-	-	13,767	-	13,767
Reserve transfer	23	-	-	(25,446)	25,446	-
Balance at 31 March 2016		<u>15,664</u>	<u>4,344,468</u>	<u>213,123</u>	<u>(3,751,694)</u>	<u>821,561</u>
Period ended 31 March 2017:						
Profit and total comprehensive income for the year		-	-	-	337,715	337,715
Issue of share capital	22	164	2,560	-	-	2,724
Grant of share options	23	-	-	17,086	-	17,086
Reserve transfer	23	-	-	(18,842)	18,842	-
Balance at 31 March 2017		<u>15,828</u> =====	<u>4,347,028</u> =====	<u>211,367</u> =====	<u>(3,395,137)</u> =====	<u>1,179,086</u> =====

ACTIVEOPS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Operating activities			
Cash provided by/(used in) operations	30	2,240,679	(2,197,731)
Interest paid		(155,235)	(75,015)
Income taxes received/(paid)		106,237	(175,362)
Net cash provided by/(used in) operating activities		<u>2,191,681</u>	<u>(2,448,108)</u>
Investing activities			
Purchase of intangible assets		-	(828)
Purchase of tangible fixed assets		(62,109)	(37,510)
Proceeds on disposal of tangible fixed assets		-	7,309
Interest received		29,057	8,160
Net cash used in investing activities		<u>(33,052)</u>	<u>(22,869)</u>
Financing activities			
Proceeds from issue of shares		2,724	50,227
Proceeds of new bank borrowings		1,000,000	-
Repayment of bank borrowings		(333,329)	-
Net cash provided by financing activities		<u>669,395</u>	<u>50,227</u>
Change in cash and cash equivalents in the reporting period		<u>2,828,024</u>	<u>(2,420,750)</u>
Cash and cash equivalents at beginning of the reporting period		764,164	3,184,914
Cash and cash equivalents at end of the reporting period		<u>3,592,188</u> =====	<u>764,164</u> =====
Cash and cash equivalents comprises:			
Cash at bank and in hand		<u>3,592,188</u> =====	<u>764,164</u> =====

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

ActiveOps Limited ("the company") is a private company limited by shares incorporated in England and Wales. The registered office and principal place of business is One Valpy, 20 Valpy Street, Reading, Berkshire, RG1 1AR.

The group consists of ActiveOps Limited and all of its subsidiaries. The company's and the group's principal activities are disclosed in the directors' report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by Section 408 of the Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £337,715 (2016: £1,797,629 loss).

In accordance with the FRS 102 reduced disclosure framework, the company has taken advantage in its individual financial statements of the exemption from the disclosure requirements of Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures, and has not presented its own statement of cash flows.

Basis of consolidation

The consolidated financial statements incorporate those of ActiveOps Limited and all of its subsidiaries (that is entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the twelve months following the acquisition date.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

Going concern

Profits generated in the year have moved the group's balance sheet into a net assets position with the group continuing to have access to a £1m revolving credit facility, which remains in place until 31 March 2019.

The directors have reviewed cash flow forecasts for the business covering a period of at least twelve months from the date of approval of these financial statements, and together with the projected revenue and available banking facilities they are confident that sufficient funding is available to support ongoing trading activity and investment plans for the business. The financial statements have therefore been prepared on a going concern basis.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

The group recognises revenue depending upon the substance and legal form of the contracts with its customers.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

SaaS revenue is recognised once a legally binding contract between the group and its customer has been established and the delivery of the SaaS has commenced. SaaS revenue is recognised on an accruals basis; when invoiced in advance, the income is deferred in the statement of financial position and recognised in the income statement over the length of the contract period.

Revenue from contracts for the provision of implementation services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is three years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	Three years straight line
Customer contracts	Life of contract

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Three years' straight line
Plant and machinery	Three years' straight line
Fixtures, fittings and equipment	Five years' straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the individual financial statements of the company, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Impairment of fixed assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed asset.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

The company grants share options ("equity-settled share-based payments") to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

Modifications and cancellations

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions (the "original fair value") and under the modified terms and conditions (the "modified fair value") are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Provision is made for National Insurance Contributions (NICs) on outstanding share options that are expected to be exercised, based upon the latest enacted NIC rates at the reporting date.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation adjustments are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

2 Judgements and key sources of estimation uncertainty

In the application of the company's and the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following key judgements and estimates are considered to be of significance to the financial statements:

Useful economic life

The depreciation and amortisation charges, in respect of intangible and tangible fixed assets, are based upon estimates of the useful economic lives of the assets involved. Useful economic life is assessed initially upon acquisition of the asset and thereafter reviewed annually taking into account any revisions of future use of those assets. The judgements involved are informed by historical experience in relation to similar assets.

Deferred tax assets and liabilities

In respect of the tax losses of the group, the directors are making judgements that the profits of the companies in the group will in the future be sufficient to enable recovery of the tax losses by offset against those taxable profits. In addition in respect of all deferred tax assets and liabilities, the directors are making judgements about the likely timing of the reversal of differences and therefore, the tax rate that will be applicable in the circumstances.

Share based payment charges

In relation to equity-settled remuneration schemes, employee services received and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant. The fair value of share options is estimated by using a valuation model, which makes use at the date of grant of certain key statistical assumption.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

3	Turnover and other revenue	2017	2016
		£	£
	An analysis of the group's turnover is as follows:		
	Turnover analysed by class of business		
	SaaS revenues	6,756,195	4,427,535
	Implementation services	4,512,375	3,062,121
	Recharged expenses	371,897	233,167
	Franchise royalties	102,620	70,105
		<u>11,743,087</u>	<u>7,792,928</u>
		=====	=====
	Other revenue		
	Interest income	29,057	8,160
		=====	=====
	Turnover analysed by geographical market		
	Within the UK	8,012,589	3,480,873
	Outside the UK	3,730,498	4,312,055
		<u>11,743,087</u>	<u>7,792,928</u>
		=====	=====
4	Operating profit/(loss)	2017	2016
		£	£
	Operating profit/(loss) for the year is stated after charging/(crediting):		
	Exchange (gains)/losses	(321,712)	72,500
	Depreciation of owned tangible fixed assets	47,148	57,565
	Depreciation of leased tangible fixed assets	5,372	13,553
	Loss on disposal of tangible fixed assets	-	1,039
	Amortisation of intangible assets	125,050	137,938
	Operating lease charges	154,863	148,096
		=====	=====
5	Auditor's remuneration	2017	2016
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the group and company	28,000	23,500
	Audit of the company's subsidiaries	13,015	11,164
		<u>41,015</u>	<u>34,664</u>
		=====	=====
	For other services		
	Other assurance services	7,600	10,024
	Taxation compliance services	6,155	10,478
	All other non-audit services	-	2,711
		<u>13,755</u>	<u>23,213</u>
		=====	=====

ACTIVEOPS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2017****6 Employees**

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

	2017	2016
	Number	Number
Sales and marketing	12	12
Information technology and product	29	28
Client services	28	35
Management and other	17	23
	<u>86</u>	<u>98</u>
	=====	=====

Their aggregate remuneration comprised:

	2017	2016
	£	£
Wages and salaries	5,496,514	5,161,566
Social security costs	581,148	545,746
Pension costs	242,543	340,290
	<u>6,320,205</u>	<u>6,047,602</u>
	=====	=====

Included within the above figures is £17,086 (2016: £13,767) of share option expenses.

7 Directors' remuneration

	2017	2016
	£	£
Remuneration for qualifying services	682,182	777,511
Company pension contributions to defined contribution schemes	25,308	29,571
Sums paid to third parties for directors' services	75,129	32,434
	<u>782,619</u>	<u>839,516</u>
	=====	=====

Remuneration disclosed above includes the following amounts payable to the highest paid director:

Remuneration for qualifying services	269,889	203,483
Company pension contributions to defined contribution schemes	9,202	9,092
	=====	=====

The number of directors to whom retirement benefits are accruing under money purchase pension schemes was 4 (2016: 5).

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

8	Interest receivable and similar income	2017 £	2016 £
	Interest income		
	Other interest income	29,057	8,160
		=====	=====
9	Interest payable and similar charges	2017 £	2016 £
	Interest on financial liabilities measured at amortised cost		
	Interest on bank overdrafts and loans	107,312	22,188
	Interest payable to group undertakings	47,923	52,824
		-----	-----
		155,235	75,012
		=====	=====
10	Taxation	2017 £	2016 £
	Current tax		
	UK corporation tax on profit/(loss) for the current period	-	(135,116)
	Adjustments in respect of prior periods	-	(177,043)
	Foreign current tax on profit for the current period	121,046	148,023
	Total current tax	121,406	(164,136)
	Deferred tax		
	Origination and reversal of timing differences	(309,534)	-
	Effect of changes in tax rates and laws	-	-
	Total deferred tax	(309,534)	-
	Total tax credit	(188,488)	(164,136)
		=====	=====

At the 31 March 2017, the company and its group had tax losses of approximately £1.5 million (2016: £2.5 million) to carry forward for off-set against future taxable profits. The deferred tax asset in relation to these tax losses has now been recognised on the grounds of the group's forecast profitability.

During the period, Finance Act 2016 was enacted and included legislation to reduce the main rate of corporation tax to 19% with effect from 1 April 2017, and by a further 2%, reaching 17% with effect from 1 April 2020. As this change was substantively enacted at the balance sheet date, for any material amount expected to unwind after to 1 April 2020, deferred tax has been recognised at 17%.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

10 Taxation (Continued)

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	1,002,842	(2,629,951)
	=====	=====
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	200,568	(525,990)
Effects of:		
Tax chargeable at higher rates	45,954	-
Expenses that are not deductible in determining taxable profit	62,475	5,809
Unutilised tax losses carried forward	(205,354)	446,921
Tax losses utilised	(186,098)	-
Adjustments in respect of prior periods	-	(177,043)
Research and development tax credit	(93,600)	(105,337)
Foreign exchange differences	-	51,212
Capital allowances differences	561	(7,731)
Foreign tax	(9,868)	148,023
Exchange difference arising on gross timing differences	3,127	-
Total tax credit	(188,488)	(164,136)
	=====	=====

11 Intangible fixed assets

Group	Customer contracts £	Goodwill £	Purchased software £	Intellectual property rights £	Total £
Cost					
At 1 April 2016	123,000	40,912	333,338	126,170	623,420
Additions	-	-	-	-	-
At 31 March 2017	123,000	40,912	333,338	126,170	623,420
Amortisation and impairment					
At 1 April 2016	123,000	27,274	222,226	125,473	497,973
Amortisation charged for the year	-	13,638	111,112	300	125,050
At 31 March 2017	123,000	40,912	333,338	125,773	623,023
Carrying amount					
At 31 March 2017	-	-	-	397	397
	=====	=====	=====	=====	=====
At 31 March 2016	-	13,638	111,112	697	125,447
	=====	=====	=====	=====	=====

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

11 Intangible fixed assets (Continued)

Company	Intellectual property rights £
Cost	
At 1 April 2016	125,000
Additions	-
At 31 March 2017	<u>125,000</u>
Amortisation and impairment	
At 1 April 2016	125,000
Amortisation charged for the year	-
At 31 March 2017	<u>125,000</u>
Carrying amount	
At 31 March 2017	-
At 31 March 2016	=====

12 Tangible fixed assets

Group	Leasehold improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 April 2016	136,697	189,943	206,026	532,666
Additions	33,226	28,233	650	62,109
At 31 March 2017	<u>169,923</u>	<u>218,176</u>	<u>206,676</u>	<u>594,775</u>
Depreciation and impairment				
At 1 April 2016	128,451	147,963	153,565	429,979
Depreciation charged in the year	5,372	27,422	19,726	52,520
At 31 March 2017	<u>133,823</u>	<u>175,385</u>	<u>173,291</u>	<u>482,499</u>
Carrying amount				
At 31 March 2017	36,100	42,791	33,385	112,276
At 31 March 2016	8,246	41,980	52,461	102,687
	=====	=====	=====	=====

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

12 Tangible fixed assets (Continued)

Company	Leasehold improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 April 2016	98,607	147,328	164,490	410,425
Additions	33,226	17,447	596	51,269
At 31 March 2017	<u>131,833</u>	<u>164,775</u>	<u>165,086</u>	<u>461,694</u>
Depreciation and impairment				
At 1 April 2016	98,607	115,578	131,963	346,148
Depreciation charged in the year	-	19,975	15,058	35,033
At 31 March 2017	<u>98,607</u>	<u>135,553</u>	<u>147,021</u>	<u>381,181</u>
Carrying amount				
At 31 March 2017	33,226	29,222	18,065	80,513
At 31 March 2016	-	31,750	32,527	64,277

13 Fixed asset investments

Note	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Investments in subsidiaries	-	-	77,805	76,381

Movements in fixed asset investments

Company	Shares £
Cost or valuation	
At 1 April 2016	76,381
Additions	1,424
At 31 March 2017	<u>77,805</u>
Carrying amount	
At 31 March 2017	77,805
At 31 March 2016	76,381

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

Name of undertaking and country of incorporation or residency	Country	Nature of business	Class of shareholding	Percentage held or otherwise controlled	
				Direct	Indirect
ActiveOps Overseas Limited	United Kingdom	Dormant	Ordinary	100	-
ActiveOps Africa (PTY) Limited *	South Africa	Management solutions	Ordinary	-	100
Active Operations Management India *	India	Management solutions	Ordinary	-	100
Red Owl Technology Limited	Ireland	Management solutions	Ordinary	100	-
ActiveOps USA Inc.	United States of America	Management solutions	Ordinary	100	-
ActiveOps Canada Inc.	Canada	Management solutions	Ordinary	100	-
				=====	=====

* Owned indirectly through ActiveOps Overseas Limited

Red Owl Technology Limited, a UK based entity and previously a direct subsidiary of the Irish registered Red Owl Technology Limited, was dissolved in the United Kingdom on 24 May 2016.

Active Operations Management India has continued to be consolidated on the basis of control. ActiveOps Ltd acquired 95% of the Shares of Active Operations Management India in June 2017.

The registered office of ActiveOps Overseas Limited is One Valpy, 20 Valpy Street, Reading, Berkshire, RG1 1AR, United Kingdom.

The registered office of ActiveOps Africa (PTY) Limited is 8A Keyes Avenue, Johannesburg, 2196, South Africa.

The registered office of Active Operations Management India is 43/23, 2nd Cross, Promenade Road, Frazer Town, Bangalore, 560005, India.

The registered office of Red Owl Technology Limited is Roselawn House, National technology Park, Plassey, Limerick, Ireland.

The registered office of ActiveOps USA Inc. is c/o National Registered Agents Inc, 160 Greentree Drive, Suite 101, Dover, Delaware 19904, United States of America.

The registered office of ActiveOps Canada Inc. is Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC V6C 2B5, Canada.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

15	Debtors	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
	Amounts falling due within one year:				
	Trade debtors	3,505,696	2,023,055	2,522,215	1,718,252
	Corporation tax recoverable	94,150	321,433	97,242	312,159
	Amounts due from group undertakings	-	-	3,757,746	1,940,086
	Other debtors	114,718	21,603	9,654	12,513
	Prepayments	198,662	182,024	150,142	180,245
	Accrued income	277,238	94,193	172,102	163,312
		<u>4,190,464</u>	<u>2,642,308</u>	<u>6,709,101</u>	<u>4,326,567</u>
	Amounts falling after more than one year:				
	Deferred tax asset (note 20)	327,599	18,065	316,542	-
		<u>4,518,063</u> =====	<u>2,660,373</u> =====	<u>7,025,643</u> =====	<u>4,326,567</u> =====
16	Creditors: amounts falling due within one year	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
	Bank loans (see note 19)	333,335	-	333,335	-
	Trade creditors	318,277	935,613	249,761	898,077
	Amounts due to group undertakings	-	-	1,091,318	629,499
	Other taxation and social security	602,207	375,233	483,248	320,694
	Other creditors	63,761	60,412	1,500,837	50,000
	Accruals	1,019,532	517,409	835,584	466,842
	Deferred income	3,330,029	752,698	2,135,665	709,391
		<u>5,667,141</u> =====	<u>2,641,365</u> =====	<u>6,629,748</u> =====	<u>3,074,503</u> =====
17	Creditors: amounts falling due after more than one year	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
	Bank loans (see note 19)	333,336	-	333,336	-
	Related party loans (see notes 19 and 26)	1,130,061	1,130,061	1,130,061	1,130,061
		<u>1,463,397</u> =====	<u>1,130,061</u> =====	<u>1,463,397</u> =====	<u>1,130,061</u> =====

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

18	Financial instruments	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
	Carrying amount of financial assets				
	Debt instruments measured at amortised cost	3,788,853	2,121,861	6,452,102	3,826,263
	Equity instruments measured at cost less impairment	-	-	77,805	76,381
		=====	=====	=====	=====
	Carrying amount of financial liabilities				
	Measured at amortised cost	4,250,513	2,643,495	3,959,992	3,174,479
		=====	=====	=====	=====
19	Borrowings	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
	Creditors: amounts falling due within one year				
	Bank loans	333,335	-	333,335	-
		=====	=====	=====	=====
	Creditors: amounts falling due after more one year				
	Bank loans	333,336	-	333,336	-
	Related party loans	1,130,061	1,130,061	1,130,061	1,130,061
		1,463,397	1,130,061	1,463,397	1,130,061
		=====	=====	=====	=====

The related party loans balances bear interest at LIBOR + 4% which is calculated daily, but none of the loans have formal repayment date terms – see note 26 for further information.

During the year, the company agreed group term loan funding from its bankers. A bank loan of £1,000,000 was drawn down on 5 April 2017 repayable in 12 quarterly payments, with the final payment due on 31 March 2019. These bank loans are secured by way of fixed and floating charges over all of the assets of the company, they bear interest at a rate of LIBOR plus a margin of between 4% and 6% dependent on ratio of Group Financial Indebtedness (other than Shareholder Loans to the borrower) to EBITDA. If this leverage ratio is equal or above 2:1 then the margin rate will be 6%, if equal to or above 1:1 but below 2:1 then the margin rate will be 5%, and otherwise the margin rate will be 4%.

In addition to the bank loans, the company has also agreed a revolving credit facility with its bankers that is available until the 31 March 2019. To date no money has been drawn down under this agreement, but the facility allows up to £1,000,000 to be drawn at a day's notice. Amounts drawn down bear interest at a rate as described above for the term loan funding and are repayable on the last day of the interest period (quarterly), but drawdowns can be made again in subsequent interest periods.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

20 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Deferred tax assets	329,524	18,276	318,329	-
Deferred tax liabilities	(1,925)	(211)	(1,787)	-
	<u>327,599</u> =====	<u>18,065</u> =====	<u>316,542</u> =====	<u>-</u> =====
	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
At 1 April 2016	18,065	18,065	-	-
Recognised during the year	309,534	-	316,542	-
At 31 March 2017	<u>327,599</u> =====	<u>18,065</u> =====	<u>316,542</u> =====	<u>-</u> =====

The major components of deferred tax are:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Tax losses carried forward	273,270	11,847	273,270	-
Other short-term timing differences	56,254	6,429	45,059	-
Accelerated capital allowances	(1,925)	(211)	(1,787)	-
	<u>327,599</u> =====	<u>18,065</u> =====	<u>316,542</u> =====	<u>-</u> =====

21 Retirement benefit schemes

Group	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	195,059 =====	234,244 =====

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At the year end, £25,203 (2016: £80,416) was outstanding and due to the group's pension scheme.

ACTIVEOPS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2017**

22	Share capital	2017	2016
		£	£
	Group and company		
	Ordinary share capital - Issued and fully paid		
	969,469 (2016: 953,128) ordinary shares of 1p each	9,695	9,531
	613,282 (2016: 613,282) A ordinary shares of 1p each	6,133	6,133
		<u>15,828</u>	<u>15,664</u>
		=====	=====

The company's ordinary shares and A ordinary shares carry all the rights to vote and to receive dividends as are usually associated with a company's ordinary share capital, however upon a winding up the ordinary shares are entitled to a repayment of issue proceeds ahead of a subsequent equitable distribution of remaining assets ranking pari passu with the A ordinary shares.

During the year, 14,208 ordinary shares of 1p each were issued at par and 2,133 ordinary shares of 1p each were issued at a premium of £1.20 per share.

23 Share-based payment transactions*Unapproved Share Options Scheme*

Principal terms and conditions: There were a total of 92,342 options outstanding as at the balance sheet date. Provided the relevant performance targets are met over the next 14 months, all options will vest.

Number of employees: There are currently 4 employees participating in the scheme.

Grant Date: From 22 October 2014 to 25 November 2015.

Performance conditions: Option holders may exercise up to 50% of their options once the vesting conditions are satisfied. In order to satisfy the vesting conditions the business must achieve the targets set by the board of directors. Vested options above the 50% threshold may only be exercised in conjunction with any investment or sale.

Option exercise price: From £0.01 to £8.15 per share.

The credit recognisable under FRS 102 for equity settled share-based payments in respect of employee services received during the year to 31 March 2017 is £5,941 (2016: £1,117). At the balance sheet date, the FRS 102 value of outstanding options amounted to £33,068 (2016: £45,969).

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

23 Share-based payment transactions (Continued)

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

The following tables illustrate the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

Group and company	Number of share options		Weighted average exercise price	
	2017 Number	2016 Number	2017 £	2016 £
Outstanding at 1 April	108,683	104,215	3.71	3.93
Granted	-	25,062	-	0.45
Forfeited	-	(11,058)	-	1.21
Exercised	(16,341)	(5,850)	0.17	0.01
Expired	-	(3,686)	-	1.21
Outstanding at 31 March	<u>92,342</u> =====	<u>108,683</u> =====	<u>4.34</u> =====	<u>3.71</u> =====
Exercisable at 31 March	<u>46,711</u> =====	<u>79,853</u> =====	<u>6.32</u> =====	<u>5.05</u> =====

The weighted average share price at the date of exercise for share options exercised during the year was £0.17 (2016: £0.01).

The options outstanding at 31 March 2017 had an exercise price ranging from £0.01 to £8.15, and a remaining contractual life of between 7.7 and 8.7 years.

Enterprise Management Investment Scheme Share Options

Principal terms and conditions: There were a total of 345,735 options outstanding as at the balance sheet date. Provided the relevant performance targets are met over the next 14 months, all options will vest.

Number of employees: There are currently 14 employees participating in the scheme.

Grant Date: From 19 November 2014 to 11 January 2017.

Performance conditions: Option holders may exercise up to 50% of their options once the vesting conditions are satisfied. In order to satisfy the vesting conditions the business must achieve the targets set by the board of directors. Vested options above the 50% threshold may only be exercised in conjunction with any investment or sale.

Option exercise price: From £0.01 to £8.15 per share.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

23 Share-based payment transactions (Continued)

The expense recognisable under FRS 102 for equity settled share-based payments in respect of employee services received during the year to 31 March 2017 is £11,144 (2016: £14,884). At the balance sheet date, the FRS 102 value of outstanding options amounted to £178,299 (2016: £167,154).

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

The following tables illustrate the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

Group and company	Number of share options		Weighted average exercise price	
	2017 Number	2016 Number	2017 £	2016 £
Outstanding at 1 April	336,735	290,275	2.43	0.64
Granted	9,000	82,837	8.15	7.94
Forfeited	-	(19,663)	-	1.21
Exercised	-	(16,714)	-	0.01
Expired	-	-	-	-
Outstanding at 31 March	<u>345,735</u> =====	<u>336,735</u> =====	<u>2.58</u> =====	<u>2.43</u> =====
Exercisable at 31 March	<u>180,438</u> =====	<u>79,853</u> =====	<u>4.24</u> =====	<u>3.84</u> =====

No share options were exercised during the year, but in the prior year, the weighted average share price for exercised options was £1.21.

The options outstanding at 31 March 2017 had an exercise price ranging from £1.21 to £8.15, and a remaining contractual life between 7.6 and 9.8 years.

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

24 Reserves

The reserves of the company and its group comprise the following:

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Share option reserve

The cumulative share-based payment expense recognised in respect of outstanding share options.

Profit and loss accounts

Cumulative profit and loss net of distributions to owners.

25 Operating lease commitments

Lessee

The operating leases are all in relation to premises in the United Kingdom (lease expiring in 2017), one new lease expiring in March 2027 but with a five year break clause at March 2022 and in South Africa (lease expiring in 2018).

At the balance sheet date, the group and the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Within one year	170,030	182,697	166,108	148,200
Between two and five years	586,696	104,739	581,742	49,400
	<u>756,726</u> =====	<u>287,436</u> =====	<u>747,850</u> =====	<u>197,600</u> =====

26 Controlling party

There is no ultimate controlling party.

27 Related party transactions

The company and the group has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

Group only

During the year, the group received loan repayments of £Nil from J Harper (2016: £3,992) and £Nil from H Mitchell (2016: £1,755), directors of the Red Owl subgroup. At the balance sheet date, no directors' loans were outstanding (2016: None).

ACTIVEOPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

27 Related party transactions (Continued)

Company and group

ActiveOps Limited has received a loan from N C Bentley, a director of the company, and at the year end, the balance outstanding was £535,859 (2016: £535,859). During the year, no repayments were made (2016: none) and N C Bentley received interest on the loan of £18,593 (2016: £24,075).

ActiveOps Limited has received a loan from C Cawthorne, a former director of the company, and at the year end, the balance outstanding was £429 (2016: £429). During the year, no repayments were made (2016: none) and C Cawthorne received interest on the loan of £Nil (2016: £Nil).

ActiveOps Limited has received a loan from R J Jeffery, a director of the company, and at the year end, the balance outstanding was £462,797 (2016: £462,797). During the year, no repayments were made (2016: none) and R J Jeffery received interest on the loan of £16,058 (2016: £20,795).

ActiveOps Limited has received a loan from J Jones, a former director of the company, and at the year end, the balance outstanding was £27,089 (2016: £27,089). During the year, no repayments were made (2016: none) and J Jones received interest on the loan of £940 (2016: £1,217).

ActiveOps Limited has received a loan from B Sime, a former director of the company, and at the year end, the balance outstanding was £99 (2016: £99). During the year, no repayments were made (2016: none) and B Sime received interest on the loan of £Nil (2016: £Nil).

ActiveOps Limited has received a loan from A Ginger, an employee of the company, and at the year end, the balance outstanding was £25,562 (2016: £25,562). During the year, no repayments were made (2016: none) and A Ginger received interest on the loan of £887 (2016: £1,148).

ActiveOps Limited has received a loan from E Price, an employee of the company, and at the year end, the balance outstanding was £31,176 (2016: £31,176). During the year, no repayments were made (2016: none) and E Price received interest on the loan of £1,082 (2016: £1,401).

ActiveOps Limited has received a loan from M Lorrimore, a former director of the company, and at the year end, the balance outstanding was £35,182 (2016: £35,182). During the year, no repayments were made (2016: none) and M Lorrimore received interest on the loan of £1,221 (2016: £1,581).

ActiveOps Limited has received a loan from S O'Leary, an employee of the company, and at the year end, the balance outstanding was £11,869 (2016: £11,869). During the year, no repayments were made (2016: none) and S O'Leary received interest on the loan of £412 (2016: £533).

At the balance sheet date, there is a further amount of £2,581 (2016: £Nil) owed by the company and the group to C Cawthorne, a former director of the company. This amount is advanced payment for share options exercised after the balance sheet date and is included within other creditors.

The total amount of employee benefits received by key management personnel for their services to the company and the group during the year amounted to £604,693 (2016: £807,082) and the company and the group incurred employers' national insurance contribution costs of a further £77,488 (2016: £82,971) in relation to the employment of these same members of staff.

ACTIVEOPS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2017****28 Acquisitions**

During the year, the company completed the formation of two new wholly owned subsidiary undertakings, ActiveOps USA Inc. and ActiveOps Canada Inc.. ActiveOps USA Inc. was incorporated in November 2015, but during the year, the company subscribed for common stock of US\$1 at a premium of US\$1,999. ActiveOps Canada Inc. was incorporated in August 2016 and the company has subscribed for share capital at a nominal value of CAN\$100.

29 Events after the reporting date**Australian franchise acquisition**

On the 1 April 2017, the group acquired its Australian franchise through a combination of the issue of additional share capital, a cash payment that was funded from on-going cash flow and a long term loan repayable in quarterly instalments by March 2019. This acquisition has increased the size of the group with revenues at £14.9m and EBITDA of £2m on a like-for-like basis. The acquisition has also added incremental product expertise and resource to further enhance the product proposition.

On acquisition, the structure of the entities became that ActiveOps Ltd owns 100% of the share capital of ActiveOps Australia Pty Ltd, which in turn owns 100% of the share capital of Active Operations Management Australia Pty Ltd.

Transfer of ownership of share capital of the subsidiary Active Operations Management India

Active Operations Management India has continued to be consolidated on the basis of control. ActiveOps Ltd acquired 95% of the shares in issue in Active Operations Management India in June 2017.

Change to head office and registered Office location

On 19 June 2017, head office operations moved into new premises at One Valpy in Reading bringing the UK based team into one location under a ten year lease (expiring on 24 March 2017), with a 5 year break clause, which is reflected as such within the operating lease commitments note to the financial statements.

30 Reconciliation of profit/(loss) to net cash flow from operating activities	Group 2017 £	Group 2016 £
Profit/(loss) for the year after taxation	1,188,204	(2,465,815)
Adjustments for:		
Taxation credited	(185,362)	(164,136)
Finance costs	155,235	75,012
Investment income	(29,057)	(8,160)
Loss on disposal of tangible fixed assets	-	1,039
Share based payment expense	17,086	13,767
Amortisation and impairment of intangible assets	125,050	137,938
Depreciation and impairment of tangible fixed assets	52,520	71,118
Movements in working capital:		
Increase in debtors	(1,821,857)	(480,954)
Increase in creditors	2,738,860	622,460
Cash provided by/(used in) operating activities	2,240,679 =====	(2,197,731) =====