

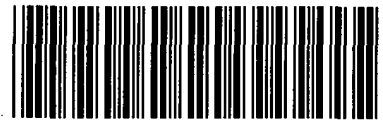
# Eagle Eye Solutions Group plc

Strategic and Directors' report,  
consolidated and company financial  
statements

Registered number 8892109

30 June 2016

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## **Company information**

Directors	Malcolm Wall Tim Mason Phill Blundell Steve Rothwell Lucy Sharman-Munday Bill Currie Sir Terry Leahy Drew Thomson
Secretary	Lucy Sharman-Munday
Company number	8892109
Registered office	5 New Street Square London EC4A 3TW
Nominated Adviser and Broker	Investec Bank plc 2 Gresham Street London EC2V 7QP
Bankers	Barclays Bank plc 27 Soho Square London W1D 3QR
Solicitors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW
Independent auditor	RSM UK Audit LLP Chartered Accountants Ninth Floor 3 Hardman Street Manchester M3 3HF

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## **Strategic report**

### **Chairman's statement**

In September, post the Period end, I was delighted to accept the position of Non-Executive Chairman of Eagle Eye, with Tim Mason becoming our new Chief Executive. It is the Board's belief that Tim's appointment will drive the business bigger, better and faster as we enter the next stage of Eagle Eye's development. I am also delighted that Phill Blundell remains with the business to concentrate on delivering operational scale and accelerated execution, building on the foundations already in place.

Tim joined Eagle Eye in January 2016 as Non-Executive Chairman. Since that time he has gained a deep understanding of Eagle Eye's business, products, strategy and culture. Tim brings more than 30 years' experience within the grocery and retail industries, with a strong background in strategic marketing and customer loyalty. Tim's wealth of experience and network, both domestically and internationally, as well as his knowledge of Eagle Eye mean that he is uniquely placed to lead the Group into the next phase of its growth.

In his new role, Phill Blundell, previously Chief Executive Officer, now Deputy Chief Executive Officer will focus on bolstering the operational capability for scale, building on the UK business opportunity and developing an international growth strategy.

The international opportunity for Eagle Eye was opened up in North America following the significant contract win with Loblaw Inc ("Loblaw"), the Group's first overseas Tier 1 grocery customer, in February 2016. This contract is now underway with the implementation of Eagle Eye AIR within Loblaw and Phill's move strengthens Eagle Eye's capability to capitalise on the significant international market opportunity, of which the North American market is estimated to be worth over \$84bn, according to Cadent Consulting Group and Raymond James.

We are confident that these changes will deepen and strengthen the management team to deliver against our overall ambitions to be a leading global platform in digital marketing.

### **A year of strategic and operational progress**

Overall the Board is pleased with the significant progress made during the year. Although revenues in the year have not matched expectations, the significant contracts won and the developments to our software platform mean that we have growth and momentum going into FY17.

The key highlights in the year included Asda rolling out our software platform across their entire retail estate, coupled with the contract with Sainsbury's announced at the beginning of the financial year which together extends our reach in the UK grocery industry to over 30%. February's contract win with Loblaw, the Canadian market leader with circa 40% of the grocery market, shows the international potential for Eagle Eye, with this prestigious client choosing us against global leading software businesses. Finally, increased transactions on our software platform in the Food and Beverage ("F&B") market further cements our position as market leader in this sector. These successes validate our belief that consumer marketing is transferring to digital channels and we are uniquely well placed to drive this transformation.

On behalf of the Board, I want to thank the team for their commitment, hard work and major steps forward this year both in terms of contractual wins and further developing the platform for the next stage of growth.

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**Outlook**

Eagle Eye exited FY16 with growth and momentum from both its existing customer base and two new Tier 1 grocers. The new significant wins are a major endorsement of the benefits of the Eagle Eye AIR platform that is now proven and scalable.

This momentum gives visibility of revenue for the first quarter for the financial year ending 30 June 2017 to be at least 65% up on prior year at approximately £2.2m. This level of growth and momentum gives the Board confidence early in the financial year on delivering against management's expectations.

The year-end cash position, coupled with the £1.5m revolving loan facility agreed with Barclays Bank PLC in June 2016, provides the business with adequate funding to deliver against its current FY17 targets.

## **Chief Executive Officer's report**

When I joined the Board of Eagle Eye in January 2016 as Non-Executive Chairman, I saw the potential for this business to drive transformational change in an industry that I have worked in all my career. It is rare you come across a business that has both a vision and the technology to truly change the way a sector works, but Eagle Eye excited me on both counts. Given this, I was delighted to have the opportunity to become the Group's new CEO in September, post the Period end.

Earlier in my career I was instrumental in the change of consumer marketing through the use of data and now I see another opportunity for transformation through the use of real time digital capability.

The world of promotions and rewards has to date been driven by imperfect historical data using mechanics that are rarely consumer friendly. Eagle Eye has brought a clear vision that promotions and rewards will become digital, real time and personalised, bringing clear benefits to both retailers and their consumers. Our significant contract wins and increasing volumes through the platform during the Period, demonstrate that our network is driving this transformation.

### **Growing market opportunity**

The market for digital coupons continues to grow with the latest figures from Juniper Research estimating that 31bn eCoupons will be redeemed worldwide in 2019, up from 16bn in 2014, and there will be 1.05bn mobile coupon users worldwide by 2019.

Further, during the Period we have extended our product offer to also support the loyalty market, an industry worth \$100bn globally. Existing customers like Mitchells & Butlers ("M&B") and Greggs are already using this new capability and we expect other clients to follow.

It is our firm belief that traditional forms of loyalty have become tired as consumers become resistant to the same offers and rewards delivered after the event using analogue channels. Given the "always on" world of social media and mobile communications, consumers are looking for relevant, timely and personalised rewards that add real value to their lives. This is the view shared across Eagle Eye and the development of our software platform supports the new reality with us having the ability to close the loop, delivering the right offer to the right person at the right time, thereby maximising uptake from consumers and improving their loyalty to brands. Furthermore, we provide a data feed into our customers' big data bases.

Our first overseas Tier 1 grocery customer, Loblaw, gives us an entry to the lucrative North America market for both promotions and loyalty that is estimated to be worth in excess of \$84bn. With a flagship client such as Loblaw, the opportunity to capitalise in this renowned international arena for our sector is significant.

### **Strong strategic momentum**

#### ***Tier 1 grocers***

At the start of the Period, the Group announced the Sainsbury's contract win which, further to the contract with Asda in the prior year cemented our market position in the UK with these two major customers accounting for more than 30% of the grocery market. The implementation phase with Sainsbury's is on track and we continue to deepen our relationship with this client.

In February 2016, Asda completed its nationwide rollout of the AIR platform. Redemption volumes across our network grew by 121% in the Period to 38.4 million (2015: 17.4 million), the rollout at Asda being the significant contributing factor to this growth.

Since the rollout of our technology at Asda, Eagle Eye have extended the use of the platform for other digital solutions, including digitising staff rewards. After the Period end, Asda Money also adopted our software platform to deliver enhanced loyalty points and cashback to credit card members.

In February 2016 the Group signed a multi-year contract with Loblaw, our first overseas Tier 1 grocery customer, covering more than 40% of the Canadian grocery market on its own. This project is fully underway and the relationship has deepened since the start of the engagement.

#### ***FMCG brands***

As our reach into the Tier 1 grocery market grows, Eagle Eye's opportunity with FMCG brands now becomes a key area of strategic focus. These brands are the major contributors to the more than \$540bn digital marketing spend worldwide, according to Carat. During the course of the Period the number of brands signed up to our platform increased significantly from 17 to 70. During the Period the Group also delivered several brand marketing campaigns through the network including those for Diageo, Heineken and Unilever, supported by new relationships

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with leading marketing agencies, Starcom, Mediacom and Mindshare. We are confident that this pillar of our strategy will be a major revenue generator in the coming year.

**Food & Beverage ("F&B")**

The year has seen good progress in our F&B client base with increased revenues driven by new solutions for existing clients such as Prezzo and M&B as well as new clients wins with The Restaurant Group and La Tasca. We are extending our issuance partners with new partnerships secured with WEVE, SAVOO and Nectar. These partners bring new customers to our F&B clients alongside our existing relationships with Tesco, Vouchercloud and Groupon, together demonstrating the power of a digitally connected network.

**Product development**

As the market moves to digital delivery it is important that we continue to innovate and extend our software platform to meet the demands of our clients as well as developing consumer trends. During the year we introduced new functionality to fully support the promotional activity of our grocery customers, including expanding the range of coupon types supported; building functionality to manage loyalty points; adding continuity schemes such as stamp cards; and also incorporating "next best offer" schemes enabling real-time rewards at the point of sale. The platform has also been developed to support the creation, issuance and tracking of marketing campaigns by FMCG brands and offer full support for multi-language and multi-currency customers. In addition, we have made significant enhancements to our digital wallet capability, enabling clients to bring together all our services under a single view of the consumer.

As well as this expanding functionality, we have also invested in expanding and developing the scalability and infrastructure of the platform to exceed our customers' growing service level requirements. We are now the only proven platform that is capable of supporting full basket analysis and promotional validation in real time and at scale, through our reference case with Asda.

**Financial results**

Group revenue increased by 33% to £6.5 million (2015: £4.9 million) for the Period. Of total revenue, 72%, £4.6 million, was contributed from the core AIR platform (2015: 56%, £2.7 million).

The Group's gross profit was £5.1 million, representing a gross margin of 79% (2015: £3.5 million, 71%). The increase from prior year was driven by a higher proportion of revenue generated from the AIR platform that carries a higher margin than the messaging business. The adjusted EBITDA loss was £1.8 million (2015: £1.5 million loss). To provide a better guide to the underlying business performance adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

The Group had net assets of £5.9 million at 30 June 2016 (2015: £8.8 million) including cash and cash equivalents of £1.3 million (2015: £4.3 million). In June 2016 the Group arranged a new banking facility with Barclays Bank PLC for a three year £1.5 million revolving loan facility in order to strengthen the Company's balance sheet as it continues to deepen and broaden its customer relationships.

**People**

In addition to the strategic Board changes, the management team has been further strengthened by the recruitment of a new Sales Director, Helen Slaven, in May 2016. As a senior sales director in both the retail and technology sectors, Helen brings extensive experience and an international network of contacts necessary for us to deliver against our revenue targets.

The past 12 months has seen rapid growth in our team. We have seen the average headcount increase from 50 to 73, moved into a permanent office in Guildford with the right facilities to support the enhanced status of the business, and introduced HR systems to develop, measure, reward and motivate our growing headcount. More recently we have opened an operation in Toronto to support our services in Canada and with Phill Blundell leading the operation I expect there to be rapid growth over the next 12 months. The skill, dedication and talent of our people are fundamental to our growing business. We have made good progress over the last 12 months and will continue to make improvements to ensure we attract the best talent.

**Looking ahead**

The past year has seen good progress against our objective to make our mission possible and I believe that all the key components are now in place. We are well placed in terms of our management team, our client base and platform capability to take advantage of the significant and growing market opportunity. I have confidence that the coming year will see significant progress and value creation for our shareholders.

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**Financial review**

**Key Performance Indicators**

<b>Financial</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Revenue	6,458	4,854
Adjusted EBITDA loss <sup>(1)</sup>	(1,823)	(1,521)
Cash and cash equivalents	1,322	4,292
<b>Non-financial</b>	<b>2016</b>	<b>2015</b>
Number of redemptions	38.4m	17.4m
Like for like messaging volumes	40.3m	40.1m
% of subscription transaction revenue	80%	80%
Customers and brands on the platform	219	156

<sup>(1)</sup> EBITDA loss excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

**Group results**

The Group generated solid revenue growth of 33% for the Period, with revenue increasing to £6.5 million (2015: £4.9 million). H2 FY16 revenue accounted for £3.5m (H1 FY16: £3.0 million), representing growth of 36% year on year. Half by half growth rate, therefore, represents 19% (H2 FY15 to H1 FY16: 14%).

Underpinning this growth was the revenue from the AIR platform that represented 72% of total revenue, £4.6m (2015: 56%, £2.7m). This increase has been driven by increased volumes through existing clients and the implementation of new major projects in the Period at Sainsbury's and Loblaws. Of this specific revenue stream the element specifically linked to strategic recurring subscription and transactions saw an 84% increase to £3.5m (FY15: £1.9m), aided specifically with the national roll out of the AIR platform across all Asda stores.

Redemption volumes, a key measure of usage of the AIR platform, were 38.4 million for the Period (2015: 17.4 million) a growth of 121% year-on-year driven by our solution for Asda's coupon counting going fully live in February 2016 and increased volumes from existing F&B clients.

Overall, £5.2 million of revenue generated from subscriptions fees and transactions over the network represented 80% of total revenue (2015: 80%, £3.9 million). The preservation of this share of revenue year-on-year illustrates the success of our recurring subscription business model with limited upfront licence fees. The balance, £1.3 million, relates to implementation fees for new customers and new services and represents 20% of total revenue (2015: 20%, £1.0 million).

Messaging revenue was £1.8 million for the Period (2015: £2.1m), despite maintaining similar message volumes year on year (c.40m). Revenue per message was impacted by a key contract renewal at the start of FY16 and reflects the competitive messaging market. The revenue represents a shortfall from management expectations due to both the volatility in messaging volumes of existing clients and the timing of implementation of new wins. The Group won several new contracts during the second half of the Period, including Swinton and Asurion, which will have a positive impact in FY17.

The gross margin increased from 71% to 79% in 2016 as gross profit grew to £5.1 million (2015: £3.5 million). The core AIR gross margin carries a significantly higher margin than the messaging business, increasing from 87% to 92% in 2016. This increase, together with core AIR revenue now accounting for 72% of total revenue, has driven the improved margin.

**Operating costs**

Operating costs of £7.5 million (2015: £5.6 million) represent sales and marketing, product development (net of capitalised costs), operational IT, general, administration and share based payment costs. The overall increase was in line with management expectations. Our investment in people for planned strategic activity is the main driver of this growth, with the average headcount for the year increasing to 73 (2015: 50).

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Within staff costs gross expenditure on product development increased 43% to £1.7 million (2015: £1.2 million) reflecting our investment in enhancing the capabilities of our platform. Capitalised product development costs at £1.2 million (2015: £1.0 million) represented 69% of gross development spend whilst amortisation of capitalised development costs was £1.6 million (2015: £1.4 million).

**EBITDA**

Reflecting our planned investment, Group adjusted EBITDA loss for the Period was £1.8 million (2015: loss £1.5 million). To provide a better guide to the underlying business performance, adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

**EPS and dividend**

Reported basic and diluted loss per share was 16.36p (2015: loss per share 16.17p).

The Board does not feel it appropriate at this time to commence paying dividends.

**Group Statement of Financial Position**

The Group had net assets of £5.9 million at 30 June 2016 (2015: £8.8 million), the decrease in net assets reflects predominantly the cash movement explained below. Cash and cash equivalents of £1.3 million (2015: £4.3 million) was ahead of management expectations due to robust working capital management.

**Cashflow and net cash**

The main components to the gross cash decrease of £3.0 million for the Period (2015: £2.0 million increase) were operating cash outflow of £1.5 million (2015: £0.8 million) and capital investment in the AIR platform and tangible fixtures and fittings.

Aside from the investment in a permanent head office, the year was relatively modest in terms of investing activities, reflecting the typically low levels of capital expenditure required on tangible assets for the business. Capital expenditure on property, plant and equipment totalled £0.3 million (2015: £0.02 million) while capitalised intangible asset additions totalled £1.2 million (2015: £1.0 million), relating to the capitalisation of development cost for the AIR platform.

In 2015 net receipts included an inflow from a new share placing of £3.8 million.

**Banking facility**

The Group arranged new banking facilities in June 2016. A three year £1.5 million revolving loan facility was agreed with Barclays Bank PLC to strengthen the Company's balance sheet as it continues to deepen and broaden its Tier 1 relationships with national and international customers. The facility was not drawn down during the Period.

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**Principle Risks and uncertainties**

***Evolution of the market***

The Group operates in an evolving market and there is a possibility that the rate of growth in mobile commerce will not match independent predictions or that users of mobile devices will change their behaviour with respect to mobile commerce. The Group's services are new and evolving and it is difficult to predict the future growth rates, if any, and the size of these markets. Even if the market for the Group's products develops as anticipated, the Group may face severe competition from other businesses offering similar products and services and there can therefore be no assurance that the Group will be able to secure customers for its products and services on acceptable terms and conditions, or successfully adjust the Group's strategy to meet the changing market dynamics.

***Entrance into new markets***

The Group is entering new international markets and not all of these markets may be at the same stage of development. In addition, the Group may face competition from other local businesses in those territories offering similar products and services and there can therefore be no assurance that the Group will be able to secure customers for its services on acceptable terms and conditions, or successfully adjust the Group's strategy to meet the different dynamics of these new markets.

***Technological changes could overtake the products being developed by the Group***

The Group's business is dependent upon technology which could be superseded by superior technology, more competitively priced technology or a shift in retail practices which could affect both the potential profitability and the saleability of the Group's product offering. Staying abreast of technological changes may require substantial investment. The Group's existing software products need to develop continually in order to meet customer requirements. The Group may encounter delays and incur additional development and production costs and expenses, over and above those expected by the Directors, in order to develop suitable technologies and products. The technology used in the Group's products is still evolving and is highly complex and may change rapidly. Research and development by other companies may render any of the Group's products in development, or currently available, obsolete.

***Protection of intellectual property***

The Group's success and ability to compete effectively are in large part dependent upon exploitation of proprietary technologies and products that the Group has developed internally, the Group's ability to protect and enforce its intellectual property rights so as to preserve its exclusive rights in respect of those technologies and products, and its ability to preserve the confidentiality of its know-how. The Group relies primarily on enforcement of its pending and granted patents under applicable patent laws and non-disclosure agreements to protect its intellectual property rights. No assurance can be given that the Group will develop further technologies or products which are patentable, that patents will be sufficiently broad in their scope to provide protection for the Group's intellectual property rights against third parties, or that patents will have been granted in all new territories which the Group enters.

Patents pending or future patent applications may not be granted and the lack of any such patents may have a material adverse effect on the Group's ability to develop and market its proposed products. Where patents have been granted the Group may not have the resources to protect any such issued patent from infringement. There is a significant delay between the time of filing of a patent application and the time its contents are made public, and others may have filed patent applications for subject matter covered by the Group's pending patent applications without the Group being aware of those applications. The Group's patent applications may not have priority over patent applications of others and its pending patent applications may not result in issued patents. Even if the Group obtains patents, they may not be valid or enforceable against others. Moreover, even if the Group receives patent protection for some or all of its products, those patents may not give the Group an advantage over competitors with similar products. Furthermore, the Group cannot patent much of the technology that is important to its business. If the Group fails to obtain adequate access to, or protection for, the intellectual property required to pursue its strategy, the Group's competitors may be able to take advantage of the Group's research and development efforts.

Once granted, a patent can be challenged both in the patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

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***Product risk***

The Group's business involves providing customers with highly reliable software and services. If the software or services contain undetected defects when first introduced or enhanced, the Group may fail to meet its customers' performance requirements or otherwise satisfy the contract specifications. As a result, it may lose customers and/or may become liable to them for damages. Whilst the Group has liability insurance in place and endeavours to negotiate limitations on its liability in its customer contracts, this is not always commercially possible. Additionally, the Group is committed to developing products for its customers on a set timeline. However, the pace of progress of the development projects may not be as expected and the Group could fail to meet its customers' timing or performance requirements. As a result of these risks, the Group may lose customers, may become liable to those customers for damages and may suffer damage to its reputation.

The Group has service level commitment obligations with some of its customers in which it provides various guarantees regarding levels of service. The Group may not be able to meet these levels of service due to a variety of factors, both inside and outside the Group's control. If the Group fails to provide the levels of service required by the agreements, such customers may be entitled to terminate their contracts or may choose not to enter into new work orders with the Group and this may also damage the Group's reputation and reduce the confidence of the Group's customers in its software and services, impairing its ability to retain existing customers and attract new customers.

***Online security breaches, data loss and fraud***

Any compromise of the Group's systems, security breaches or data loss may result in the temporary inability of the Group to operate its services and clients' mobile sites and applications and therefore may have a detrimental impact on the Group's revenues, both directly through the inability of the Group's clients to trade or of the Group to authenticate offers, and indirectly through loss of confidence in the security of the Group's platform.

Security breach and fraud remain key concerns in the online payments world and any security breach or fraud event might deter consumers from purchasing goods via online voucher and offer content. Any move away from the mobile channel for purchasing goods would have a negative impact on the Group's growth prospects and revenues.

Security breach and fraud may also lead to regulatory investigations, sanctions (including fines) and litigation with clients and consumers. Any regulatory investigation or litigation may be costly and may divert efforts and attention of the Group's key management and other personnel and resources, may cause wider reputational damage to the Group and may result in existing clients terminating contracts and deter potential new clients from becoming actual clients.

In line with its ISO 27001 accredited procedures, the Group uses a third party security and data compliance service to monitor and mitigate against this risk in addition to client specific security testing.

***Dependence on key customers and partners***

The Group is dependent on a number of key contracts and partner relationships for its current and future growth and development. The Group must continue to maintain and expand its integration into retailers' in-store and point of sale systems in order to increase the attractiveness of the Group's products and software to consumer brands, allowing the Group to increase revenues and achieve profitability. If consumer brands do not perceive that the Group is able to be integrated into a broad range of retailers' in-store or point of sale systems, then the Group may fail in attracting or retaining consumer brands. If this were to happen, there may be a detrimental effect upon the performance of the Group. A limited number of clients account for a large percentage of the Group's revenue. Whilst the Group endeavours to enter and renew long term agreements with its clients, there can be no assurance that clients will be secured on acceptable terms and conditions.

***Staff recruitment and retention***

The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. Finding and hiring any additional personnel and replacements could be costly and might require the Group to grant significant equity awards or other incentive compensation, which could adversely impact its financial results. The Group's future development and prospects depend to a significant degree on the experience, performance and continued service of its senior management team. Effective product development and innovation, upon which the Group's success is dependent, is in turn dependent upon attracting and retaining talented technical

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and marketing personnel, who represent a significant asset and serve as the source of the Group's technological and product innovations. In addition, to continue to expand the Group's customer base, increase sales and achieve growth generally, the Group will need to hire additional qualified sales personnel as well as recruit further personnel in administrative and operational support functions. If the Group is unable to hire, train and retain such personnel in a timely manner an undue burden could be placed on existing personnel, the development and introduction of the Group's products could be delayed and its ability to sell its products and otherwise to grow its business will be impaired and the delay and inability may have a detrimental effect upon the performance of the Group.

***Disaster recovery plans may not be sufficient***

The Group depends on the performance, reliability and availability of its properties and information technology services. The Group may not be able to access its facilities as a result of events beyond the control of the Group, such as extreme weather conditions, flood, fire, theft or terrorist action. Although the Group operates from multiple office and technology sites and has detailed disaster recovery plans in place, any damage to or failure of its equipment and/or systems could also result in disruptions to the Group's operations. The Group's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover any loss or damage that it suffers fully. The occurrence of one or more of these events could have a material adverse effect on the Group's business, financial position or prospects.

***Litigation risk***

Whilst the Group has taken, and will continue to take, such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, the Directors cannot preclude the possibility of litigation being brought against the Group. There can be no assurance that claimants in any litigation proceedings will not be able to devote substantially greater financial resources to such litigation proceedings or that the Group will prevail in any such litigation. Any litigation, whether or not determined in the Group's favour or settled by the Group, may be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations.

***Changes in applicable laws and regulations***

Laws and regulations governing internet-based services, related communication services and information technology, e-commerce, the processing of personal data (including changes expected to be made to the Data Protection Act in 2017), the processing of payment card data and mobile commerce in the United Kingdom and other territories continue to evolve and, depending on the evolution of such regulations, may adversely affect the Group's business.

***Exchange rate risk***

As its international operations grow, exchange rate fluctuations could have a material adverse effect on the Group's profitability or the price competitiveness of its services. There can be no assurance that the Group would be able to compensate or hedge against such adverse effects and therefore negative exchange rate movements could have a material adverse effect on the Group's business, prospects and financial performance.

***Corporate social responsibility***

The Group embraces working in a way that delivers financial, socially responsible and environmentally sustainable business performance and ensures adherence to the law and conducts its affairs to the highest ethical standards. We expect our customers and suppliers to embrace these same principles. The Group values teamwork, taking personal responsibility, positive attitudes and working hard to deliver positive outcomes for all our stakeholders—customers, staff and shareholders alike. We encourage the personal learning, growth and development of our team and voluntarily try to eliminate practices that harm the environment.

***Employee involvement***

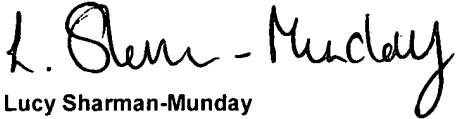
The Group recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Group. The Group encourages employee performance through their remuneration packages, including by granting share options, and by promoting its core values to employees. The Group ensures that employees are fully aware of financial and economic factors affecting its performance.

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The Group's employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate employees regardless of sex, race, religion or disability. Equality of treatment includes full and fair assessment of applications and extends to training and continuing career development.

The Group is committed to ensuring and communicating the requirements for a safe and healthy working environment for all employees, consistent with health and safety legislation and, where practicable, gives full consideration to applications for employment from disabled persons.

By order of the board



**Lucy Sharman-Munday**  
*Company Secretary*

5 New Street Square  
London  
EC4A 3TW

20 September 2016

## **Governance**

### **Board of Directors**

#### **Malcolm Wall – Non Executive Chairman – A, B**

Malcolm is Chairman of the Group, joining as a non-executive director in 2014. He was previously CEO, and then advisor to the board, of Abu Dhabi Media Company. He is also the former Chief Executive, Content for Virgin Media where he ran Virgin's television proposition, the Virgin Media portal and their television channel groups. Malcolm joined Virgin from United Business Media, where he was Chief Operating Officer. He has also worked in senior executive roles for a number of ITV companies, including Granada, Anglia and Southern. Malcolm is currently Chairman of Audioboom plc, Dock10 Limited, Imaginarium Studios Limited, and Disciple Media Limited. He is also a non executive director of Image Nation LLC.

#### **Tim Mason – Chief Executive Officer**

Tim joined as chairman in January 2016, later moving to CEO in September 2016. He has over 30 years' experience within the grocery and retail industries, with a strong background in strategic marketing and customer loyalty. Tim's last role was as Chairman of Bonmarche Holdings plc from 2013 to 2015. Prior to that he was Deputy CEO at Tesco from January 2010 to December 2012. He held a number of other roles within the Tesco Group between 1982 and 2012 including CMO for Tesco and CEO of Fresh & Easy LLC. He is also currently Chairman of Digital Natives Content Limited.

#### **Phill Blundell – Deputy Chief Executive Officer**

Phill is the Deputy Chief Executive Officer and is responsible for the overall group strategy, day to day management of the business and communications with the main board. Prior to joining Eagle Eye, Phill was the Group Finance Director and subsequently Chief Executive Officer of Intelligent Environments Group plc, a digital banking software company, which was acquired by a US private equity house and consequently renamed Parseq plc. He was Acting CEO of Parseq when it was acquired by funds controlled by HarbourVest Partners, LLC in 2011. He qualified as a chartered accountant with Coopers & Lybrand in 1988 and is a member of the Institute of Chartered Accountants in England & Wales. Phill has a BSc in Economics from the London School of Economics.

#### **Steve Rothwell – Founder and Chief Technical Officer**

Steve founded the Group in 2003, and is responsible for the product vision, development and roadmap. Prior to that, he was the founder and Chief Executive Officer of Eagle Eye Technology Limited, a software consultancy business. Before that he was a developer and consultant for Consult Hyperion, developing concepts in the media and payments industries, and a software engineer for Ericsson. Steve has a BEng in Electrical and Electronic Engineering from the University of Leicester.

#### **Lucy Sharman-Munday – Chief Financial Officer**

Lucy joined the Group in 2014. Prior to this, she was the CFO of the 5one group, the global consultancy providing services, analysis and software to help retailers achieve a customer-centric strategy. The global role covered Europe, South Africa and setting up America. Prior to this she worked for Adapt Group Ltd, and in 2006 iSOFT plc as an integral part of the turn-around team that successfully sold the business to IBA Health Group at the end of 2007. Lucy began her career at KPMG in 1999 and is a member of the Institute of Chartered Accountants in England & Wales.

#### **Bill Currie – Non Executive Director – A**

Bill joined the Group as a non-executive director in 2011. He is the founder of the William Currie Group and William Currie Investments, an investment vehicle specialising in the retail, ecommerce and tech sectors. Previously he was a top ranked city investment analyst, serving as Joint Managing Director of Charterhouse Securities and Director of Research at BZW. His current directorships include Metapack Limited, Belvedere Energy Investments and LTS Group.

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**Consolidated Financial Statements for the year ended 30 June 2016**

**Board of Directors (continued)**

**Sir Terry Leahy – Non Executive Director**

Sir Terry joined the Group as a non-executive director in 2011. Sir Terry completed a 32 year career at Tesco plc as Chief Executive from 1997 to 2011. Leahy received a Knighthood for services to food retailing in the 2002 New Year Honours. He was chosen as Britain's "Business Leader of the Year" in 2003 and the Fortune European Businessman of the Year for 2004. Since 2011 he has focused on investments in early-stage businesses. He is a director of Metapack Limited, the Social Mobility Foundation and the Foundation Years Trust and is a Special Advisor to CD & R, the US private equity firm.

**Drew Thomson – Non Executive Director – B**

Drew joined the Group as a non-executive director in 2014. He is a business leader and entrepreneur with a track record in funding, creating, building and growing international businesses. Most recently Drew was the Co-Founder and Chief Executive of Starcount. Prior to this he was Executive Chairman of Iris Worldwide where he led the development and international growth of the Iris group business. Previously to joining Iris, Drew was a founding partner of Paternoster, the UK's first defined benefit pension scheme risk transfer company. Before setting up Paternoster, he was Chief Executive of Airmiles and BA Miles.

**Board Committee Membership**

A – Audit Committee

B - Remuneration Committee

## **Directors' report**

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2016.

### **Principal activities, business review and future developments**

The principal activity of the Group is the marketing, validation and redemption of digital promotions in real-time for the grocery, retail and hospitality industries.

The Strategic Report on pages 1 to 10 reports on the Group's performance during the financial year and its future prospects. The information that fulfils the requirement of the Business Review is contained within the Strategic Report and is incorporated into this report by reference.

### **Corporate Status**

Eagle Eye Solutions Group plc (the 'Company') is a public limited company domiciled in the United Kingdom and was incorporated in England & Wales with company number 8892109 on 12 February 2014. The Company has its registered office at 5 New Street Square, London EC4A 3TW. The principal places of business of the Group are its offices in Guildford and Manchester and it also operates in Toronto, Canada.

### **Directors**

Tim Mason (appointed 5 January 2016)  
Phill Blundell  
Steve Rothwell  
Lucy Sharman-Munday  
Bill Currie  
Sir Terry Leahy  
Drew Thomson  
Malcolm Wall  
Bob Willett (resigned 1 March 2016)

The Company has agreed to indemnify its directors against third party claims which may be brought against them and has put in place a directors' and officers' insurance policy.

**Eagle Eye Solutions Group plc**  
**Consolidated Financial Statements for the year ended 30 June 2016**

**Directors' remuneration and share options**

Remuneration in respect of the directors was as follows:

	30 June 2016 Aggregate emoluments and fees £000	30 June 2016 Short-term benefits £000	30 June 2016 Pension costs £000	30 June 2015 Aggregate emoluments and fees £000	30 June 2015 Short-term benefits £000	30 June 2015 Pension costs £000
Phill Blundell	239	-	-	247	-	-
Steve Rothwell	190	-	-	185	-	-
Lucy Sharman- Munday	181	-	5	169	-	4
Tim Mason	35	-	-	-	-	-
Drew Thomson	35	-	-	35	-	-
Terry Leahy	5	-	-	5	-	-
Bill Currie	-	-	-	-	-	-
Malcolm Wall	35	-	-	35	-	-
Bob Willett	37	-	-	42	-	-
	<b>757</b>	-	<b>5</b>	<b>718</b>	-	<b>4</b>

The directors hold the following share options over ordinary shares of 1p each:

	30 June 2016 EMI share option scheme	30 June 2015 EMI share option scheme	30 June 2016 Unapproved share option scheme	30 June 2015 Unapproved share option scheme	30 June 2016 LTIP share option scheme	30 June 2015 LTIP share option scheme
Phill Blundell	226,574	226,574	-	-	57,778	-
Steve Rothwell	344,241	344,241	229,759	229,579	45,926	-
Lucy Sharman- Munday	125,000	125,000	-	-	39,383	-
Tim Mason	-	-	-	-	443,165	-

The market price of the Company's shares at the end of the financial year was £1.11 and the range of the market price during the year was between £1.09 and £2.39.

**Eagle Eye Solutions Group plc**  
**Consolidated Financial Statements for the year ended 30 June 2016**

## Substantial Shareholdings

At 19 September 2016, the directors have been notified of the following beneficial interests in excess of 3% of the issued share capital of the Company (excluding those shares held in treasury).

	<b>Total shares</b>	<b>%</b>
Bill Currie *	2,340,385	10.56
Andrew Sutcliffe	1,811,865	8.18
Sir Terry Leahy *	1,677,030	7.57
Steve Rothwell	1,611,672	7.27
Christopher Gorell Barnes	1,531,866	6.91
Hargreave Hale Limited	1,507,032	6.80
Julian Reiter	1,342,390	6.06
Herald Investments	877,318	3.96
Timothy Miller	872,975	3.94
Edward Pippin	855,000	3.86

\*includes shares held by family members

## Corporate Governance

### Principles of Corporate Governance

The Directors recognise the importance of sound corporate governance and confirm that although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, the Group is complying with the QCA Corporate Governance Code (as devised by the QCA in consultation with a number of significant institutional small company investors) to the extent appropriate and practical for a Group of its nature and size.

### Board Structure

The Board is responsible to shareholders for the proper management of the Group. A statement of directors' responsibilities is set out on page 19.

The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered.

The Board comprises of the Chairman, who was independent at the time of appointment, three executive directors and four non-executive directors. Of the non-executive directors, the Board considers two to be independent directors. All non-executive directors receive a fixed fee for their services, other than Bill Currie.

The Board holds regular meetings and is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions and overseeing the Group's progress towards its goals.

**Eagle Eye Solutions Group plc**  
**Consolidated Financial Statements for the year ended 30 June 2016**

**Board Committees**

The Board has two Committees with clearly defined terms of reference which are set by the Board. The role, work and members of the committees are outlined below:

**Remuneration Committee**

The Remuneration Committee is chaired by Drew Thomson and consists of two non-executive directors, Drew Thomson and Malcolm Wall. It is expected to meet no less than twice a year. Executive directors may attend meetings at the Committee's invitation. It is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and setting the remuneration packages of individual directors. This includes agreeing with the Board the framework for the remuneration of the executive directors and such other members of the executive management of the Group as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each individual director including, where appropriate, bonuses, incentive payments and share options.

The remuneration of non-executive directors is a matter for the Board. No director may be involved in any decision as to their own remuneration.

**Audit Committee**

The Audit Committee is chaired by Bill Currie, and consists of two non-executive directors, Bill Currie and Malcolm Wall. The Committee assists the Board in meeting its responsibilities in respect of corporate governance, external financial reporting and internal controls, including, amongst other things, reviewing the Group's annual financial statements, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal controls and risk management systems. The Audit Committee meets formally not less than three times every year and otherwise as required.

**Internal Control and risk management**

The Directors are responsible for the Group's system of internal controls and reviewing its effectiveness.

Although, no system of internal control can completely eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss, the Group's controls are designed to provide reasonable assurance over the reliability of financial information and the Group's assets.

The key controls are as follows:

- The executive directors have a close involvement with the day to day operations and with the involvement of staff, identify business risks and monitor controls;
- A risk register is maintained and reviewed by the executive directors on a regular basis; any high risks are mitigated by embedded controls; and
- There is a comprehensive process of financial reporting based on the annual budget that is approved by the Board. Monthly financial results are reported with analysis of key variances against expectations.

There is currently no internal audit function as the Board considers that given the Group's current stage of development, it is not necessary but this will be reviewed annually as the Group evolves.

**Eagle Eye Solutions Group plc**  
**Consolidated Financial Statements for the year ended 30 June 2016**

**Relations with Shareholders**

Meetings with analysts and institutional shareholders are held following the interim and full year results and on an ad-hoc basis. These meetings are usually held by the CEO and the CFO.

The Group's informative website contains information to be of interest to new and existing investors. In addition, the Group retains the services of a financial PR consultancy, providing an additional contact avenue for investors.

There is an opportunity at the annual general meeting for individual shareholders to raise general business matters. Notice of the annual general meeting is provided at least 21 days in advance of the meeting being held.

**Research and Development**

Details of the Group's policy for the recognition of expenditure on research and development of its Eagle Eye AIR platform and other products are set out in note 1 of the consolidated financial statements.

**Risk Management Objectives and Policies**

Details of the Group's financial risk management objectives and policies are set out in note 15 of the consolidated financial statements. The key non-financial risks that the Group faces are set out on pages 7 to 9 of the Strategic Report.

**Related Party Transactions**

Details of the Group's transactions and year end balances with related parties are set out in note 19 of the consolidated financial statements.

**Dividends**

The directors do not recommend the payment of a dividend.

**Off-Balance Sheet Arrangements**

The Group does not have any financing arrangements not included in the consolidated statement of financial position.

**Eagle Eye Solutions Group plc**  
**Consolidated Financial Statements for the year ended 30 June 2016**

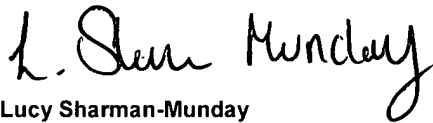
**Statement as to disclosure of information to the auditor**

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**Auditor**

RSM UK Audit LLP were appointed for the year ended 30 June 2016 and have indicated their willingness to continue in office.

By order of the board



**Lucy Sharman-Munday**  
*Company Secretary*

5 New Street Square  
London  
EC4A 3TW

20 September 2016

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Eagle Eye Solutions Group plc**

We have audited the group and parent company financial statements ("the financial statements") on pages 22 to 56. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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".

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

### **Respective responsibilities of directors and auditor**

As more fully explained in the Statement of directors' responsibilities set out on page 19, 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.

### **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 financial statements**

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2016 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters 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.

**Eagle Eye Solutions Group plc**

**Consolidated Financial Statements for the year ended 30 June 2016**

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



GRAHAM BOND FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
Ninth Floor,  
3 Hardman Street,  
Manchester  
M3 3HF

**20 September 2016**

**Eagle Eye Solutions Group plc**  
**Consolidated Financial Statements for the year ended 30 June 2016**

**Consolidated statement of total comprehensive income**  
**for the year ended 30 June 2016**

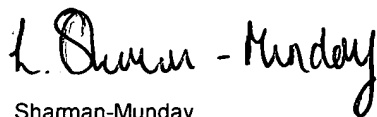
	Note	2016 £000	2015 £000
<b>Continuing operations</b>			
Revenue	3	6,458	4,854
Cost of sales		(1,369)	(1,385)
<b>Gross profit</b>		<b>5,089</b>	<b>3,469</b>
Adjusted operating expenses <sup>(1)</sup>		(6,912)	(4,990)
<b>Loss before interest, tax, depreciation, amortisation and share based payment charge</b>		<b>(1,823)</b>	<b>(1,521)</b>
Share based payment charge		(632)	(593)
Depreciation and amortisation		(1,645)	(1,441)
<b>Operating loss</b>	4	<b>(4,100)</b>	<b>(3,555)</b>
Finance income	6	2	-
<b>Loss before taxation</b>		<b>(4,098)</b>	<b>(3,555)</b>
Taxation	7	473	203
<b>Loss after taxation for the financial year</b>		<b>(3,625)</b>	<b>(3,352)</b>
Foreign exchange adjustments		16	-
<b>Total comprehensive loss attributable to the owners of the parent for the financial year</b>		<b>(3,609)</b>	<b>(3,352)</b>
<sup>(1)</sup> Adjusted operating expenses excludes share based payment charge			
<b>Loss per share</b>			
<b>From continuing operations</b>			
Basic and diluted	8	(16.36)p	(16.17)p

**Eagle Eye Solutions Group plc**  
**Consolidated Financial Statements for the year ended 30 June 2016**

**Consolidated statement of financial position**  
**as at 30 June 2016**

	Note	2016 £000	2015 £000
<b>Non-current assets</b>			
Intangible assets	9	4,838	5,206
Property, plant and equipment	10	243	53
		<b>5,081</b>	<b>5,259</b>
<b>Current assets</b>			
Trade and other receivables	12	2,080	1,417
Cash and cash equivalents	15	1,322	4,292
		<b>3,402</b>	<b>5,709</b>
<b>Total assets</b>		<b>8,483</b>	<b>10,968</b>
<b>Current liabilities</b>			
Trade and other payables	13	(2,394)	(1,839)
<b>Non-current liabilities</b>			
Deferred tax liability	14	(220)	(290)
<b>Total liabilities</b>		<b>(2,614)</b>	<b>(2,129)</b>
<b>Net assets</b>		<b>5,869</b>	<b>8,839</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	16	222	221
Share premium	16	10,991	10,985
Merger reserve	16	3,278	3,278
Share option reserve		1,230	608
Retained losses		(9,852)	(6,253)
<b>Total equity</b>		<b>5,869</b>	<b>8,839</b>

These financial statements were approved by the Board on 20 September 2016 and signed on its behalf by:



L Sharman-Munday  
 Director



T Mason  
 Director

**Eagle Eye Solutions Group plc**  
**Consolidated Financial Statements for the year ended 30 June 2016**

**Consolidated statement of changes in equity**  
**for the year ended 30 June 2016**

	Share capital £000	Share premium £000	Merger reserve £000	Share option reserve £000	Retained losses £000	Total £000
<b>Balance at 1 July 2014</b>	<b>201</b>	<b>7,209</b>	<b>3,278</b>	<b>197</b>	<b>(3,083)</b>	<b>7,802</b>
Loss for the financial year	-	-	-	-	(3,352)	(3,352)
<b>Transactions with owners recognised in equity</b>						
Issue of share capital	20	4,006	-	-	-	4,026
Issue costs	-	(230)	-	-	-	(230)
Fair value of share options lapsed in the year	-	-	-	(182)	182	-
Share based payment charge	-	-	-	593	-	593
	<b>20</b>	<b>3,776</b>	<b>-</b>	<b>411</b>	<b>182</b>	<b>4,389</b>
<b>Balance at 30 June 2015</b>	<b>221</b>	<b>10,985</b>	<b>3,278</b>	<b>608</b>	<b>(6,253)</b>	<b>8,839</b>
Loss for the financial year	-	-	-	-	(3,625)	(3,625)
<b>Other comprehensive income</b>						
Foreign exchange adjustments	-	-	-	-	16	16
	-	-	-	-	(3,609)	(3,609)
<b>Transactions with owners recognised in equity</b>						
Exercise of share options	1	6	-	-	-	7
Fair value of share options exercised in the year	-	-	-	(10)	10	-
Share based payment charge	-	-	-	632	-	632
	<b>1</b>	<b>6</b>	<b>-</b>	<b>622</b>	<b>10</b>	<b>639</b>
<b>Balance at 30 June 2016</b>	<b>222</b>	<b>10,991</b>	<b>3,278</b>	<b>1,230</b>	<b>(9,852)</b>	<b>5,869</b>

**Eagle Eye Solutions Group plc**  
**Consolidated Financial Statements for the year ended 30 June 2016**

**Consolidated statement of cash flows**  
**for the year ended 30 June 2016**

	2016 £000	2015 £000
<b>Cash flows from operating activities</b>		
Loss before taxation	(4,098)	(3,555)
Adjustments for:		
Depreciation	80	42
Amortisation	1,565	1,399
Share based payment charge	632	593
Finance income	(2)	-
Increase in trade and other receivables	(663)	(63)
Increase in trade and other payables	555	418
Income tax received	403	362
<b>Net cash flows from operating activities</b>	<b>(1,528)</b>	<b>(804)</b>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(270)	(17)
Payments to acquire intangible assets	(1,197)	(958)
<b>Net cash flows used in investing activities</b>	<b>(1,467)</b>	<b>(975)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of equity	7	3,796
Interest received	2	-
<b>Net cash flows from financing activities</b>	<b>9</b>	<b>3,796</b>
<b>Net (decrease)/increase in cash and cash equivalents in the year</b>	<b>(2,986)</b>	<b>2,017</b>
Foreign exchange adjustments	16	-
Cash and cash equivalents at beginning of year	4,292	2,275
<b>Cash and cash equivalents at end of year</b>	<b>1,322</b>	<b>4,292</b>

## Notes to the consolidated financial statements

### 1 Accounting policies

#### Basis of preparation

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) that are effective or issued and early adopted as at the date of these financial statements and in accordance with the provisions of the Companies Act 2006.

The loss before interest, tax, depreciation, amortisation and share-based payment charge is presented in the income statement as the Directors consider this performance measure provides a more accurate indication of the underlying performance of the Group.

The preparation of financial statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 2.

The presentational and functional currency of the Group is Sterling. Results in these financial statements have been prepared to the nearest £1,000.

#### New standards, amendments and interpretations adopted during the year ended 30 June 2016

The IASB and IFRIC have issued the following standards and interpretations which have been adopted during the year. The adoption of these standards and interpretations has not had a material impact on the Group.

<b>Standard</b>	<b>Key requirements</b>
Annual IFRS Improvements Process (2014)	The 2014 annual improvements cycle covered amendments to IFRS 5: Non-current assets held for sale and discontinued operations, IFRS 7: Financial Instruments: Disclosures, IAS 19: Employee benefits and IAS 34: Interim Financial Reporting

**Accounting policies (continued)**

**New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2015 and not early adopted**

The IASB and IFRIC have issued the following standards and interpretations with effective dates as noted below.

<b>Standard</b>	<b>Key requirements</b>	<b>Effective date (for annual periods beginning on or after)</b>
IFRS 9, Financial Instruments	The standard is the first standard issued as part of a wider project to replace IAS 39. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2018
IFRS 15, Revenue from Contracts with Customers	The standard specifies how and when a company will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based, five-step model to be applied to all contracts with customers.	1 January 2018
IFRS 16, Leases	The standard requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset.	1 January 2019

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

**Going concern**

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on Risk Management and Internal Control and Related Financial and Business Reporting".

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of approval of these consolidated financial statements. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that the Group has sufficient working capital to honour all of its obligations to creditors as and when they fall due. In reaching this conclusion, the Directors have considered the forecast cash headroom, the resources available to the Group and the potential impact of changes in forecast growth and other assumptions, including the potential to avoid or defer certain costs and to reduce discretionary spend as mitigating actions in the event of such changes. Accordingly, the Directors continue to adopt the going concern basis in preparing these consolidated financial statements.

## **Accounting policies (continued)**

### **Basis of consolidation**

The consolidated financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 30 June each year. Subsidiaries are entities where the Company has: power over the entity; exposure, or rights, to variable returns from its involvement with the entity; and the ability to use its power over the entity to affect the amount of its returns. The Group generally obtains and exercises control through voting rights.

The results of subsidiaries acquired are consolidated from the date on which control passed under the acquisition method. This involves the recognition at fair value of the assets, liabilities and contingent liabilities of the subsidiary at the acquisition date. These fair values are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the provision of the Group's services, excluding VAT, and is recognised at the point that the services have been delivered. Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits can flow to the Group and when specific criteria have been met for each of the activities as described below:

Development and set up fees are recognised on a percentage of completion basis using estimates. A project typically takes a number of months and where such a project spans a period end, the Group recognises accrued income on the Statement of Financial Position to reflect the service provided on a stage of completion basis.

Subscription fees are recognised on a monthly basis and are invoiced on a monthly, quarterly, bi-annual or annual basis. Where invoices are raised in advance, a portion is recognised in deferred income in the Statement of Financial Position.

Transactional fees are recognised based on transactional volumes as the transactions occur.

### **Operating loss**

Operating loss comprises the Group's revenue for the provision of services, less the costs of providing those services and administrative overheads, including depreciation and amortisation of the Group's non-current assets.

### **Accounting for joint ventures**

Joint ventures are entities which are jointly controlled. Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is originally recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit and loss of the investee after the date of acquisition. The Group's investment in joint ventures includes any goodwill to the extent identified on acquisition.

If the ownership interest in a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

## **Accounting policies (continued)**

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount and recognises the impairment in the income statement.

### **Property, plant and equipment**

Purchased property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment losses.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following bases:

Computer equipment                      2 to 4 years, straight-line

Office furniture and fittings            3 to 5 years, straight-line

The economic lives of assets are reviewed by the Directors on at least an annual basis and are amended as appropriate.

### **Intangible assets**

#### **Goodwill**

Goodwill arising on business combinations represents the difference between the consideration for a business acquisition and the fair value of the net identifiable assets acquired, less any accumulated impairment losses. The consideration for a business acquisition represents the fair value of assets given and equity instruments issued in return for the assets acquired. Goodwill is not amortised but is subject to an impairment review which is performed at least annually.

#### **Assets acquired as part of a business combination**

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible assets reflects expectations about the probability that future economic benefits from the asset will flow to the Group. These costs are amortised on a straight line basis based upon the Directors' estimate of their useful economic lives of 3 years.

#### **Internally-generated development intangible assets**

An internally-generated development intangible asset arising from the Group's product development is recognised if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- its ability to measure reliably the expenditure attributable to the intangible asset during its development

Internally-generated development intangible assets are amortised as an administrative cost on a straight-line basis over their useful lives of 3 years.

## **Accounting policies (continued)**

Where no internally-generated intangible asset can be recognised, research and development expenditure is recognised as an expense in the period in which it is incurred.

### **Impairment of tangible and intangible assets**

The Group reviews the carrying amounts of its assets annually 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 the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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. In the case of a cash-generating unit, any impairment loss is charged pro rata to the assets in the cash-generating unit.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contracted rights to the cash flows from the financial asset expire or when the contracted rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

#### **Financial assets**

##### *(a) Trade and other receivables*

Trade and other receivables are recognised at their fair value. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Trade and other receivables are shown in note 15 as 'loans and receivables'.

##### *(b) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown in note 15 as 'loans and receivables'.

#### **Financial liabilities and equity**

##### *(c) Trade and other payables*

Trade payables are recognised at their fair value. Trade and other payables are shown in note 15 as 'other financial liabilities'.

##### *(d) Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

## Accounting policies (continued)

### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the expected period of the lease.

### Employee benefits

The Group operates a defined contribution pension scheme for certain employees of the Group. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension costs charged in the income statement are the contributions payable to the scheme in respect of the accounting period.

### Current and deferred income tax

#### Current tax

The tax currently payable is based on taxable loss for the year. Taxable loss differs from the loss for the financial year as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Share-based payments

The Company issues equity-settled share-based payments to certain employees as consideration for services. 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. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense over the vesting period on a straight-line basis, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation is adjusted, based on the Directors' best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

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

## **Accounting policies (continued)**

When the options are exercised the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### **Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

### **Equity**

Equity comprises the following:

- Share capital, representing the nominal value of shares of the Company;
- Share premium, representing the excess over the nominal value of the fair value of consideration received for shares, net of expenses of the share issue;
- Merger reserve, representing the excess of the Company's investment over the nominal value of Eagle Eye Solutions Limited's shares acquired using the principles of merger accounting;
- Share option reserve, representing the cost of equity-settled share-based payments until such share options are exercised or lapse.
- Retained losses

## **2 Critical accounting estimates and judgements**

The preparation of these consolidated financial statements requires the Directors to make judgements and estimates that affect the reported amounts of assets and liabilities at each reporting date and the reported amounts of revenue during the reporting periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of assets or liabilities within the next accounting period are outlined below:

### ***Impairment of internally-generated intangible assets***

An impairment review of the Group's development costs is undertaken at least annually. This review involves the use of judgement to consider the future projected income streams that will result from the aforementioned costs. The expected future cash flows are modelled and discounted over the expected life of the assets in order to test for impairment. In the years represented in these consolidated financial statements no impairment charge was recognised as a result of these reviews.

### ***Impairment of goodwill***

The Group determines whether goodwill arising on acquisitions is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires the directors to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The actual cash flows may be different from the directors' estimates, which could impact the carrying value of the goodwill and therefore operating results negatively. The value of goodwill at 30 June 2016 is £2.7 million (2015: £2.7 million).

### ***Revenue recognition***

Where the Group is providing material development services, development fees are recognised in line with percentage completion of work performed towards milestones. Milestones and the Directors' estimate of percentage completion may differ, which could impact operating results positively or negatively. At 30 June 2016, unbilled but contracted revenue of £161,000 (2015: £252,000) has been recognised for development fees.

**Critical accounting estimates and judgements (continued)**

**Share-based payment charge**

The Group issues share options to certain employees. The Black Scholes and Binomial models are used to calculate the appropriate charge for these options. The choice and use of these models to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

The total charge recognised in the year to 30 June 2016 is £632,000 (2015: £593,000). Further information on share options can be found in note 17.

**Deferred tax asset recognition**

The Directors' judgement is required to determine the amount of tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the unrecognised tax losses at 30 June 2016 was £16.3 million (2015: £16.0 million). The value of the deferred tax asset not recognised at 30 June 2016 was £3.3 million (2015: £3.7 million). Further information on the Group's deferred tax position can be found in Note 14.

**3 Segmental analysis**

The Group is organised into one principal operating division for management purposes. Therefore the Group has only one operating segment and segmental information is not required to be disclosed. Revenue is analysed as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Development and set up fees	1,275	992
Subscription and transaction fees	5,183	3,862
	<b>6,458</b>	<b>4,854</b>
	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
AIR revenue	4,637	2,733
Messaging revenue	1,821	2,121
	<b>6,458</b>	<b>4,854</b>

In the year to 30 June 2016, revenue from 2 of the Group's customers represented more than 10% of the Group's revenue. Revenue related to those customers was £1,271,000 and £728,000 respectively. In the year to 30 June 2015, revenue from one of the Group's customers represented more than 10% of the Group's revenue. Revenue related to this customer was £852,000.

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**Segmental Analysis (continued)**

All revenues are from external customers. Continuing revenues can be attributed to the following geographical locations, based on the customers' location, as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
United Kingdom	<b>5,871</b>	4,515
North America	<b>405</b>	-
Rest of Europe	<b>81</b>	194
Asia	<b>101</b>	145
	<b>6,458</b>	4,854

All non-current assets are held in the United Kingdom.

**4 Operating loss**

Operating loss is stated after charging to administrative costs:

	<b>2016</b>	2015
	<b>£000</b>	£000
Depreciation of owned tangible assets	<b>80</b>	42
Amortisation of intangible assets	<b>1,565</b>	1,399
Employee costs (see note 5)	<b>4,941</b>	3,068
Operating lease rentals	<b>228</b>	182
Auditor's remuneration		
Audit of parent and consolidated accounts	<b>12</b>	12
Audit of the Company's subsidiaries	<b>20</b>	18
Non-audit services		
Other non-audit services <sup>(1)</sup>	<b>18</b>	10
Research and development	<b>358</b>	433

<sup>(1)</sup> Other non-audit services includes tax services of £17,000 (2015: £10,000).

**5 Particulars of staff**

The average number of persons employed by the Group, including executive directors, during the year was:

	<b>2016</b>	2015
	<b>No</b>	No
Product development	<b>28</b>	18
Operations	<b>21</b>	15
Sales and administration	<b>24</b>	17
	<b>73</b>	50

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**Particulars of staff (continued)**

The aggregate payroll costs of these persons were:

	<b>2016</b>	2015
	<b>£000</b>	£000
Wages and salaries	<b>4,818</b>	2,955
Share based payment charge	<b>632</b>	593
Social security costs	<b>558</b>	402
Pension costs- defined contribution plan	<b>33</b>	33
	<b>6,041</b>	3,983
Less: amounts capitalised as intellectual property	<b>(1,100)</b>	(915)
	<b>4,941</b>	3,068

**Key management remuneration**

Remuneration of the key management team, including executive directors, during the year was as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
Aggregate emoluments including short-term employee benefits	<b>963</b>	856
Share based payment charge	<b>309</b>	297
Pension costs- defined contribution plan	<b>8</b>	7
	<b>1,280</b>	1,160

**Directors' remuneration**

Remuneration of directors during the year was as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
Aggregate emoluments including short-term employee benefits	<b>757</b>	663
Pension costs- defined contribution plan	<b>5</b>	4
Fees	<b>-</b>	55
	<b>762</b>	722

The remuneration of the highest paid director during the year was:

	<b>2016</b>	2015
	<b>£000</b>	£000
Aggregate emoluments including short-term employee benefits	<b>239</b>	247

The remuneration of individual directors is disclosed in the Directors' report on page 14. Retirement benefits are accruing to one (2015: one) director.

## 6 Finance income

	2016 £000	2015 £000
Interest receivable on bank deposits	2	-

## 7 Taxation

	2016 £000	2015 £000
<b>Current tax</b>		
UK Corporation tax at 20.00% (2015: 20.75%)	-	-
Adjustments in respect of prior years	(403)	(301)
	(403)	(301)
<b>Deferred tax</b>		
In respect of current year	(706)	(150)
In respect of prior years	636	248
	(70)	98
<b>Tax on loss on ordinary activities</b>	(473)	(203)

### Tax reconciliation

Loss before tax	(4,098)	(3,555)
Tax using UK corporation tax rate of 20.00% (2015: 20.75%)	(820)	(738)
Non-deductible expenses	4	126
Employee share acquisition relief	(4)	-
Temporary timing differences	44	(19)
Unrelieved tax losses	720	745
Effect of changes in tax rates	(14)	(16)
Adjustment to current tax in respect of prior years <sup>(1)</sup>	(403)	(301)
<b>Tax on loss on ordinary activities</b>	(473)	(203)

<sup>(1)</sup> The adjustment to current tax in respect of prior years relates to the finalisation and submission of Research and Development tax credit claims to HMRC.

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**8 Loss per share**

The calculation of basic and diluted loss per share is based on the result attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive. Basic and diluted loss per share from continuing operations is calculated as follows:

	2016		2015	
	Loss per share pence	Loss £000	Loss per share pence	Loss £000
Basic and diluted loss per share	(16.36)	(3,625)	(16.17)	(3,352)
		22,155,260		20,721,298

**9 Intangible assets**

	Goodwill £000	Intellectual property £000	Total £000
<b>Cost</b>			
At 1 July 2014	2,664	3,577	6,241
Additions	-	958	958
<b>At 30 June 2015</b>	<b>2,664</b>	<b>4,535</b>	<b>7,199</b>
Additions	-	1,197	1,197
<b>At 30 June 2016</b>	<b>2,664</b>	<b>5,732</b>	<b>8,396</b>
<b>Amortisation</b>			
At 1 July 2014	-	594	594
Charge for the year	-	1,399	1,399
<b>At 30 June 2015</b>	<b>-</b>	<b>1,993</b>	<b>1,993</b>
Charge for the year	-	1,565	1,565
<b>At 30 June 2016</b>	<b>-</b>	<b>3,558</b>	<b>3,558</b>
<b>Net book value</b>			
<b>At 30 June 2016</b>	<b>2,664</b>	<b>2,174</b>	<b>4,838</b>
At 30 June 2015	2,664	2,542	5,206
At 1 July 2014	2,664	2,983	5,647

The Group's intellectual property relates to its internally developed AIR platform and the acquired intellectual property of 2ergo Limited which consisted of a then stand-alone messaging platform and an app and customer interface loyalty solution, both of which have now been integrated within the AIR platform.

The Group's goodwill relates to its acquisition of 2ergo Limited on 16 April 2014. An annual impairment review of goodwill arising on acquisition has been performed for the messaging cash-generating unit which formed part of 2ergo Limited. The recoverable value of the unit has been based on its value in use. The cash flow projections, which were based on 4 year forecasts approved by the Directors and then extended to cover a 5 year period with a terminal value assumed, supported the carrying value of goodwill and the Group's intellectual property with no impairment required. Discount rates are determined by reference to relevant comparator companies.

**Intangible assets (continued)**

<b>Cash generating unit</b>	<b>Carrying value of goodwill £000</b>	<b>Period over which cash flows have been projected</b>	<b>Growth rate beyond management approved forecasts</b>	<b>Discount rate for cashflow projections</b>
Messaging	2,664	5 years	2.5%	30%

The key assumptions underlying the forecast are the continued profitability flowing from existing contracts and subsequent growth based on focus on the Group's acquired messaging technology and the broad maintenance and control of the current cost base for the messaging cash generating unit. These assumptions are based on management's experience and the historical success of the cash-generating unit. The forecast for the unit provides sufficient headroom over the value of goodwill and intangible assets attributed to the cash-generating unit.

The Group has no intangible assets with indefinite useful lives other than goodwill.

**10 Property, plant and equipment**

	<b>Computer equipment £000</b>	<b>Office furniture and fittings £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 July 2014	137	5	142
Additions	17	-	17
<b>At 30 June 2015</b>	<b>154</b>	<b>5</b>	<b>159</b>
Additions	34	236	270
<b>At 30 June 2016</b>	<b>188</b>	<b>241</b>	<b>429</b>
<b>Depreciation</b>			
At 1 July 2014	64	-	64
Charge for the year	39	3	42
<b>At 30 June 2015</b>	<b>103</b>	<b>3</b>	<b>106</b>
Charge for the year	42	38	80
<b>At 30 June 2016</b>	<b>145</b>	<b>41</b>	<b>186</b>
<b>Net book value</b>			
<b>At 30 June 2016</b>	<b>43</b>	<b>200</b>	<b>243</b>
At 30 June 2015	51	2	53
At 1 July 2014	73	5	78

## 11 Investments

### Investment in joint ventures

The Group holds an interest in the ordinary share capital of Australian company Eagle Eye Solutions (Asia Pacific) Pty Limited of 51%. The company was established in order to sell the Eagle Eye Air platform in the Asia Pacific market and was granted a licence by Eagle Eye Solutions Limited in order to sell the platform in these territories, under which an income stream based on sales was due to Eagle Eye Solutions Limited. The Group has not provided any funding to Eagle Eye Solutions (Asia Pacific) Pty Limited since its original investment in the share capital of £51 and due to the losses made, has not invoiced the company for revenue due to it under the terms of the licence agreement. As the Group is not required to fund any losses made by Eagle Eye Solutions (Asia Pacific) Pty Limited the Directors believe that they are unable to evidence that they have the power over the entity, nor have rights or exposure to variable returns from the entity nor have the ability to use power over the entity to affect the amount of returns. As such and in accordance with IFRS 11: Joint Arrangements, the Directors have treated this investment as a joint venture and have accounted for this interest as a jointly controlled entity using the principles of equity accounting as set out below:

#### Summarised statement of financial position for Eagle Eye Solutions (Asia Pacific) Pty Limited

	2016 £000	2015 £000
<b>Non-current assets</b>		
Property, plant and equipment	6	8
<b>Current assets</b>		
Trade and other receivables	22	17
Cash and cash equivalents	19	12
	41	29
<b>Total assets</b>	47	37
<b>Current liabilities</b>		
Trade and other payables	(3)	(2)
<b>Net assets</b>	44	35

#### Summarised statement of total comprehensive income for Eagle Eye Solutions (Asia Pacific) Pty Limited

	2016 £000	2015 £000
Profit before tax	7	21
Income tax	-	-
<b>Profit after tax</b>	7	21

The statement of financial position for Eagle Eye Solutions (Asia Pacific) Pty Limited has been translated to Sterling at the exchange rate at each period end. The performance in the income statement has been translated at the average exchange rate during each period.

In the year ended 30 June 2012, the Directors reviewed the losses made and determined that the investment in Eagle Eye Solutions (Asia Pacific) Pty Limited was impaired, writing it down to £nil. Having reviewed the performance of Eagle Eye Solutions (Asia Pacific) Pty Limited the Directors have determined that this treatment remains appropriate.

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**12 Trade and other receivables**

	<b>2016</b>	2015
	<b>£000</b>	£000
Trade receivables	<b>1,048</b>	675
Less: Provision for impairment of trade receivables	<b>(26)</b>	(40)
	<b>1,022</b>	635
Prepayments and accrued income	<b>1,007</b>	746
Other receivables	<b>51</b>	36
	<b>2,080</b>	1,417

The ageing of trade receivables that were not impaired at 30 June 2016 was:

	<b>2016</b>	2015
	<b>£000</b>	£000
Not past due	<b>890</b>	406
Up to 3 months past due	<b>113</b>	205
More than 3 months past due	<b>14</b>	16
	<b>1,017</b>	627

Accrued income and other receivables are not past due (2015: not past due).

The Group trades only with recognised, credit-worthy third parties. Receivable balances are monitored on an ongoing basis with the aim of minimising the Group's exposure to bad debts and in some cases the Group holds cash as security for some customers' debts. The Group has reviewed in detail all items comprising the above not past due and overdue but not impaired trade receivables to ensure that no impairment exists. As at 30 June 2016, trade receivables of £31,000 (2015: £48,000) were impaired and provided for, all of which were more than 2 months old. The amount of the provision was £26,000 as at 30 June 2016 (2015: £40,000). Movements on the provision for impairment of trade receivables are as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
At 1 July	<b>40</b>	46
Provision for impairment of receivables	<b>12</b>	20
Receivables written off during the year	<b>(26)</b>	(26)
At 30 June	<b>26</b>	40

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable disclosed above.

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**Trade and other receivables (continued)**

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	<b>2016</b>	2015
	<b>£000</b>	£000
Sterling	1,826	1,417
Canadian Dollars	254	-
	<b>2,080</b>	<b>1,417</b>

**13 Trade and other payables**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Current</b>		
Trade payables	706	780
Other payables	341	205
Accruals and deferred income	1,347	854
	<b>2,394</b>	<b>1,839</b>

**14 Deferred tax liability**

The elements of deferred taxation are as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
Accelerated capital allowances and intellectual property	220	290

Movement in deferred tax:

	<b>Accelerated capital allowances and intellectual property £000</b>
At 1 July 2014	192
Charged to income statement	98
<b>At 30 June 2015</b>	<b>290</b>
Credited to income statement	(70)
<b>At 30 June 2016</b>	<b>220</b>

No deferred tax asset is recognised for unused tax losses across the Group of £16.3 million (2015: £16.0 million) due to uncertainty over the timing of their recovery.

## 15 Financial instruments and financial risk management

The Group is exposed to a variety of financial risks that arise from its use of financial instruments: credit risk, liquidity risk, foreign exchange risk and capital risk.

### Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

	2016	2015
<b>Financial assets</b>		
Loans and receivables	1,552	1,148
Trade and other receivables	1,322	4,292
Cash and cash equivalents	2,874	5,440
<b>Financial liabilities</b>		
Other financial liabilities	1,690	1,598
Trade and other payables		

Disclosures in respect of the Group's financial risks are set out below:

### Financial risk management

The Group's activities expose it to credit, liquidity and foreign exchange risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade receivables from customers and cash deposits with financial institutions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit checks are performed on new and potential customers, receivable balances are monitored on an ongoing basis with the aim of minimising the Group's exposure to bad debt and in some cases the Group holds cash as security for some customers' debts. The Directors consider the above measures to be sufficient to control the credit risk exposure.

The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. At the reporting date, the Group's cash held on short-term deposit with HSBC bank in the United Kingdom was £1,294,000 (2015: £4,292,000) and with Barclays in the United Kingdom was £28,000 (2015: £nil).

The carrying amount of financial assets recorded in the consolidated financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. In the Directors' opinion there have been no impairments of financial assets in the period, other than in relation to trade receivables written off of £26,000 (2015: £26,000).

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

**Financial instruments and financial risk management (continued)**

During the year the Group agreed a £1.5 million three year revolving loan facility with Barclays, secured on the Group's assets. At the date of these financial statements this facility had not been utilised.

The Directors manage liquidity risk by regularly reviewing the Group's cash requirements by reference to short-term cash flow forecasts and medium term working capital projections prepared by management.

*Foreign exchange risk*

The vast majority of the Group's revenues and costs are in Sterling (the Company's functional currency) and involve no currency risk. Activities in currencies other than Sterling are funded as much as possible through operating cash flows, mitigating foreign exchange risk. The Group has the following cash and cash equivalent deposits:

	<b>2016</b>	2015
	<b>£000</b>	£000
Sterling	<b>1,136</b>	4,292
Canadian Dollars	<b>186</b>	-
	<b>1,322</b>	4,292

The Group has the following net trade receivables/payables:

	<b>2016</b>	2015
	<b>£000</b>	£000
Sterling	<b>138</b>	(145)
Canadian Dollars	<b>179</b>	-
	<b>317</b>	(145)

A 5% change in the currency translation rate between Sterling and Canadian Dollars would have the following effect on the Group's net assets and loss before tax:

	<b>2016</b>	2015
	<b>£000</b>	£000
Net assets	<b>15</b>	-
Loss before tax	<b>14</b>	-

*Maturity of financial assets and liabilities*

All of the Group's financial assets and financial liabilities at each reporting date are either receivable or payable within one year.

**Capital management**

The Group's capital structure is comprised entirely of shareholders' equity. The objective of the Group when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from operating cash flows, issuances of shareholders' equity and from the revolving credit facility with Barclays. There are no externally imposed capital requirements. Financing decisions are made by the Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

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**16 Share capital**

The authorised share capital of the Company is 22,158,286 ordinary shares of 1p each.

	Number of shares issued and fully paid	Share capital £000	Share premium £000
At 1 July 2014	20,131,152	201	7,209
Issue of share capital	2,013,114	20	4,006
Issue costs		-	(230)
<b>At 30 June 2015</b>	<b>22,144,266</b>	<b>221</b>	<b>10,985</b>
Issue of share capital	14,020	1	6
Issue costs		-	-
<b>At 30 June 2016</b>	<b>22,158,286</b>	<b>222</b>	<b>10,991</b>

On 18 September 2015, the Company issued 14,020 1p ordinary shares pursuant to the exercise of employee share options.

**Merger reserve**

The acquisition of its principal subsidiary by the Group in 2014 did not meet the definition of a business combination and therefore fell outside the scope of IFRS 3. The acquisition was therefore accounted for in accordance with the principles of merger accounting as set out in Financial Reporting Standard 6- Acquisitions and Mergers.

The consideration paid to the shareholders of Eagle Eye Solutions Limited was 13,641,384 ordinary shares of 1p each. A merger reserve arises on consolidation being the difference between the nominal value of the shares issued on acquisition and the net assets acquired.

**17 Share option schemes**

The Company has a share option scheme for certain employees and directors of the Group. Options are generally exercisable at a price equal to the market price of the Company's shares on the day immediately prior to the date of grant. Options are forfeited if the employee or director leaves the Group before the options vest. The performance criteria relating to the options are the continuing employment of the holder and the achievement of certain earnings based performance criteria.

	2016 Number of share options	2016 Weighted average exercise price £	2015 Number of share options	2015 Weighted average exercise price £
Outstanding at the beginning of the year	1,753,899	0.83	1,309,128	0.51
Granted during the year	903,698	0.68	456,097	1.73
Exercised in the year	(14,020)	(0.51)	-	-
Lapsed in the year	(135,753)	(1.77)	(11,326)	0.51
<b>Outstanding at the end of the year</b>	<b>2,507,824</b>	<b>0.73</b>	<b>1,753,899</b>	<b>0.83</b>
<b>Exercisable at the end of the year</b>	<b>281,304</b>	<b>0.51</b>	-	-

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**Share option schemes (continued)**

In the year ended 30 June 2016, options were granted on 17 November 2015, 4 January 2016, 12 January 2016, 12 May 2016 and 23 May 2016. The aggregate of the estimated fair value of the options granted on those dates was £1,519,000 and the weighted average share price on those dates was £0.68.

In the year ended 30 June 2015, options were granted on 17 July 2014, 3 November 2014, 12 May 2015 and 26 May 2015. The aggregate estimated fair value of the options granted on those dates was £251,890 and the weighted average share price on those dates was £1.73.

Options outstanding under the Company's share option schemes at 30 June 2016 were as follows:

Name of scheme	2016	2015	Calendar year of grant	Exercise period	Exercise price per share
	No of options	No of options			
EMI Share Option Scheme	1,025,559	1,068,043	2014	2014-2024	£0.51
EMI Share Option Scheme	300,000	300,000	2014	2014-2024	£1.55
EMI Share Option Scheme	73,808	83,808	2015	2015-2025	£2.07
EMI Share Option Scheme	-	72,289	2015	2015-2025	£2.08
EMI Share Option Scheme	106,472	-	2015	2015-2025	£2.23
EMI Share Option Scheme	161,530	-	2016	2016-2026	£1.96
LTIP Share Option Scheme	610,696	-	2016	2016-2026	£0.01
Unapproved Share Option Scheme	229,759	229,759	2014	2014-2024	£0.51

The weighted average remaining contractual life of these options is 8.5 years (2015: 9.0 years).

The fair value of the employees' services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. Fair value is determined by reference to the Black-Scholes and Binomial option pricing models.

The inputs into the option pricing models are as follows:

	2016	2015
Weighted average exercise price	£0.73	£0.83
Expected volatility	25.3%-35.0%	35.0%
Expected life	5 years	5 years
Risk free interest rate	0.7%-1.9%	0.7-1.9%
Expected dividends	Nil	Nil

The volatility of the Company's share price on each date of grant is calculated as the average of the annualised standard deviations of daily continuously compounded returns on the Company's stock and that of closely comparable companies.

The Group recognised a charge of £632,000 (2015: £593,000) related to equity-settled share-based payment transactions in the year.

## **18 Operating lease commitments**

At 30 June 2016, the Group had aggregate minimum lease payments under non-cancellable operating leases for office and other sites as follows:

	<b>2016</b>	2015
	<b>£000</b>	£000
Due within 1 year	<b>243</b>	87
Due within 2-5 years	<b>557</b>	132
	<b>800</b>	219

The Group's Guildford office lease agreement can be cancelled after 5 years of its initial 10 year term, which commenced in July 2015. The lease for the Group's Manchester office can be cancelled after 5 years of its initial 10 year term, which commenced in December 2013.

## **19 Related party transactions**

The remuneration of the Directors and key management personnel is disclosed in note 5.

During the year the Group acquired sub-contractor services to the value of £77,000 (2015: £78,000) from Eagle Eye Technology Limited, a company in which Stephen Rothwell, a director of the Company, holds an interest. At 30 June 2016, £28,000 (2015: £11,000) was outstanding in respect of these services.

At 30 June 2016, directors' emoluments of £1,000 were outstanding to Sir Terry Leahy (2015: £7,000), who is paid in arrears.

Save as disclosed above, none of the key management personnel of the Group owe any amounts to any company within the Group (2015: £nil), nor are any amounts due from any company in the Group to any of the key management personnel (2015: £nil).

## **20 Ultimate controlling party**

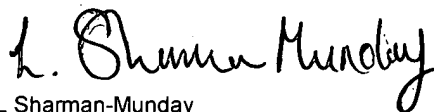
The Directors do not consider there to be an ultimate controlling party due to no individual party owning a majority share in the Company. See page 15 for information on percentage shareholdings.

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**Company statement of financial position**  
**as at 30 June 2016**

	Note	2016 £,000	2015 £,000
<b>Non-current assets</b>			
Investments in subsidiaries	5	5,667	5,244
		<b>5,667</b>	<b>5,244</b>
<b>Current assets</b>			
Trade and other receivables	6	4,923	2,107
Cash and cash equivalents	8	859	3,985
		<b>5,782</b>	<b>6,092</b>
<b>Total assets</b>		<b>11,449</b>	<b>11,336</b>
<b>Current liabilities</b>			
Trade and other payables	7	(163)	(160)
<b>Net assets</b>		<b>11,286</b>	<b>11,176</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	9	222	221
Share premium	9	10,991	10,985
Share option reserve		1,230	608
Retained losses		(1,157)	(638)
<b>Total equity</b>		<b>11,286</b>	<b>11,176</b>

These financial statements were approved by the Board on 20 September 2016 and signed on its behalf by:



L Shaman-Munday  
 Director



T Mason  
 Director

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**Company statement of changes in equity**  
**for the year ended 30 June 2016**

	Share capital £000	Share premium £000	Share option reserve £000	Retained losses £000	Total £000
<b>Balance at 1 July 2014</b>	<b>201</b>	<b>7,209</b>	<b>197</b>	<b>(343)</b>	<b>7,264</b>
Loss for the financial year	-	-	-	(295)	(295)
<b>Transactions with owners recognised in equity</b>					
Issue of share capital	20	4,006	-	-	4,026
Issue costs	-	(230)	-	-	(230)
Fair value of share options lapsed in the year	-	-	(182)	-	(182)
Share based payment charge	-	-	593	-	593
	<b>20</b>	<b>3,776</b>	<b>411</b>	<b>-</b>	<b>4,207</b>
<b>Balance at 30 June 2015</b>	<b>221</b>	<b>10,985</b>	<b>608</b>	<b>(638)</b>	<b>11,176</b>
Loss for the financial year	-	-	-	(519)	(519)
<b>Transactions with owners recognised in equity</b>					
Exercise of share options	1	6	-	-	7
Fair value of share options exercised in the year	-	-	(10)	-	(10)
Share based payment charge	-	-	632	-	632
	<b>1</b>	<b>6</b>	<b>622</b>	<b>-</b>	<b>629</b>
<b>Balance at 30 June 2016</b>	<b>222</b>	<b>10,991</b>	<b>1,230</b>	<b>(1,157)</b>	<b>11,286</b>

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**Company statement of cash flows**  
**for the year ended 30 June 2016**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Cash flows from operating activities</b>		
Loss after taxation	<b>(519)</b>	(295)
Adjustment for:		
Share based payment charge	<b>199</b>	-
Increase in trade and other receivables	<b>(12)</b>	(16)
Increase in trade and other payables	<b>3</b>	68
<b>Net cash flows from operating activities</b>	<b>(329)</b>	(243)
<b>Cash flows from financing activities</b>		
Net proceeds from issue of equity	<b>7</b>	3,796
Loan to subsidiary	<b>(2,804)</b>	(1,531)
<b>Net cash flows from financing activities</b>	<b>(2,797)</b>	2,265
<b>Net (decrease)/increase in cash and cash equivalents in the year</b>	<b>(3,126)</b>	2,022
Cash and cash equivalents at beginning of year	<b>3,985</b>	1,963
<b>Cash and cash equivalents at end of year</b>	<b>859</b>	3,985

## Notes to the company financial statements

### 1 Accounting policies

#### Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. During the year the Company adopted FRS 102. There were no transitional adjustments on the adoption of FRS 102.

The preparation of financial statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 2.

The presentational and functional currency of the Company is Sterling. Results in these financial statements have been prepared to the nearest £1,000.

#### Transition to FRS 102

These financial statements were prepared in accordance with FRS 102 for the first time. The transition date from the previous financial reporting framework to FRS 102 was 1 July 2014. FRS 102 grants elections and certain exemptions from its full requirements when preparing the first financial statements that conform to FRS 102.

#### Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Going Concern and Liquidity Risk Guidance for UK Companies 2009".

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of approval of these consolidated financial statements. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that the Company has sufficient working capital to honour all of its obligations to creditors as and when they fall due. In reaching this conclusion, the Directors have considered the forecast cash headroom, the resources available to the Company and the potential impact of changes in forecast growth and other assumptions, including the potential to avoid or defer certain costs and to reduce discretionary spend as mitigating actions in the event of such changes. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

#### Investments

Investments held by the Company are stated at cost less any provision for impairment in the Company's financial statements.

#### Impairment of investments

The Company reviews the carrying values of its investments annually to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any). 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 investment for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount.

## **Accounting policies (continued)**

### **Financial instruments**

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contracted rights to the cash flows from the financial asset expire or when the contracted rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

#### **Financial assets**

##### *(a) Trade and other receivables*

Trade and other receivables are recognised at their fair value. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Trade and other receivables are shown in note 8 as 'loans and receivables'.

##### *(b) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown in note 8 as 'loans and receivables'.

#### **Financial liabilities and equity**

##### *(c) Trade and other payables*

Trade payables are recognised at their fair value. Trade and other payables are shown in note 8 as 'other financial liabilities'.

##### *(d) Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

#### **Current income tax**

The tax currently payable is based on taxable loss for the year. Taxable loss differs from the loss for the financial year as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

#### **Share-based payments**

The Company issues equity-settled share-based payments to certain employees of the Group as consideration for services. 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. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense for employees of the Company, or as an investment in the subsidiary entity employing the relevant employees otherwise, over the vesting period on a straight-line basis, based on the Directors' estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation is adjusted, based on the Directors' best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

## **Accounting policies (continued)**

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

When the options are exercised the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### **Equity**

Equity comprises the following:

- Share capital, representing the nominal value of shares of the Company;
- Share premium, representing the excess over the nominal value of the fair value of consideration received for shares, net of expenses of the share issue;
- Share option reserve, representing the cost of equity-settled share-based payments until such share options are exercised or lapse.
- Retained losses

## **2 Critical accounting estimates and judgements**

The preparation of these consolidated financial statements requires the Directors to make judgements and estimates that affect the reported amounts of assets and liabilities at each reporting date and the reported amounts of revenue during the reporting periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of assets or liabilities within the next accounting period are outlined below:

### ***Impairment of investments***

An impairment review of the Company's investments in its subsidiaries is undertaken at least annually. This review involves the use of judgement to consider the future projected income streams that will result from those investments. The expected future cash flows are modelled and discounted over the expected life of the investments in order to test for impairment. In the years represented in these financial statements no impairment charge was recognised as a result of these reviews.

### ***Share-based payment charge***

The Company issues share options to certain employees of the Group. The Black Scholes and Binomial models are used to calculate the appropriate charge for these options. The use of these models to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

The total charge recognised by the Company in the year to 30 June 2016 is £199,000 (2015: £nil) with a capital contribution in a subsidiary company of £433,000 (2015: £593,000). Further information on share options can be found in note 17 to the consolidated financial statements.

## **3 Loss of the parent company**

The Company has not presented its own income statement as permitted by section 408 (4) of the Companies Act 2006. The loss for the financial year dealt with in the accounts of the Company is £519,000 (2015: £295,000).

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**4 Particulars of staff**

The Company had no staff during the year or the prior year, other than Directors. Details of Directors' remuneration are contained in note 5 to the consolidated financial statements.

**5 Investments**

**Investments in subsidiaries and joint ventures**

	£000
<b>Cost and net book value</b>	
At 1 July 2014	4,833
Fair value of options lapsed in the year	(182)
Share based payment charge	593
<b>At 30 June 2015</b>	<b>5,244</b>
Fair value of options exercised in the year	(10)
Share based payment charge	433
<b>At 30 June 2016</b>	<b>5,667</b>

Investment	Principal activity	Country of incorporation	Class and percentage of shares held and voting rights
Eagle Eye Solutions Limited	Digital loyalty services	England & Wales	Ordinary 100%
Eagle Eye Solutions (North) Limited	Dormant	England & Wales	Ordinary 100%
Eagle Eye Solutions Canada Limited	Digital loyalty services	Canada	Ordinary 100%
Eagle Eye Solutions (Asia Pacific) Pty Limited*	Digital loyalty services	Australia	Ordinary 51%

\* held indirectly

Eagle Eye Solutions Canada Limited was incorporated on 15 February 2016 as part of the international development of the Group.

**6 Trade and other receivables**

	2016 £000	2015 £000
Amounts due from group undertakings	4,896	2,093
Prepayments and accrued income	17	8
Other receivables	10	6
	<b>4,923</b>	<b>2,107</b>

The Company's receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable disclosed above. All of the Company's receivables are denominated in Sterling.

## 7 Trade and other payables

	2016 £000	2015 £000
<b>Current</b>		
Trade payables	42	23
Accruals and deferred income	121	137
	163	160

## 8 Financial instruments and financial risk management

The Company is exposed to a variety of financial risks that arise from its use of financial instruments: credit risk, liquidity risk and capital risk.

### Principal financial instruments

The principal financial instruments used by the Company from which financial instrument risk arises are as follows:

- Receivables
- Cash and cash equivalents
- Trade and other payables

	2016 £000	2015 £000
<b>Financial assets</b>		
<i>Loans and receivables</i>		
Trade and other receivables	4,896	2,093
Cash and cash equivalents	859	3,985
	5,755	6,078
<b>Financial liabilities</b>		
<i>Other financial liabilities</i>		
Trade and other payables	163	160

Disclosures in respect of the Company's financial risks are set out below:

### Financial risk management

The Company's activities expose it to credit and liquidity risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash deposits with financial institutions and intercompany balances with other group companies.

The Company gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. At the reporting date, the Company's cash held on short-term deposit with HSBC bank in the United Kingdom was £831,000 (2015: £4,292,000) and with Barclays bank was £28,000 (2015: £nil). This entire amount was denominated in Sterling.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained. In the Directors' opinion there have been no impairments of financial assets in the period (2015: £nil).

## Financial instruments and financial risk management (continued)

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation.

During the year the Company arranged a £1.5 million revolving credit facility, secured on certain of the assets of the Company and its subsidiaries. At the date of these financial statements this facility had not been utilised.

The Directors manage liquidity risk by regularly reviewing the Company's cash requirements by reference to short-term cash flow forecasts and medium term working capital projections prepared by management.

### Capital management

The Company's capital structure is comprised entirely of shareholders' equity. The objective of the Company when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure is managed and adjusted to reflect changes in economic conditions. The Company funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from operating cash flows, issuances of shareholders' equity and from the revolving credit facility with Barclays. There are no externally imposed capital requirements. Financing decisions are made by the Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company's commitments and development plans.

## 9 Share capital

The authorised share capital of the Company is 22,158,286 ordinary shares of 1p each.

	Number of shares issued and fully paid	Share capital £000	Share premium £000
At 1 July 2014	20,131,152	201	7,209
Issue of share capital	2,013,114	20	4,006
Issue costs		-	(230)
<b>At 30 June 2015</b>	<b>22,144,266</b>	<b>221</b>	<b>10,985</b>
Issue of share capital	14,020	1	6
Issue costs		-	-
<b>At 30 June 2016</b>	<b>22,158,286</b>	<b>222</b>	<b>10,991</b>

On 18 September 2015, the Company issued 14,020 1p ordinary shares pursuant to the exercise of employee share options.

## 10 Related party transactions

The remuneration of the Directors is disclosed in note 5 to the consolidated financial statements.

At 30 June 2016, directors' emoluments of £1,000 were outstanding to Sir Terry Leahy (2015: £7,000), who is paid in arrears.

Save as disclosed above, none of the key management personnel of the Group owe any amounts to any company within the Group (2015: £nil), nor are any amounts due from any company in the Group to any of the key management personnel (2015: £nil).

## **11 Ultimate controlling party**

The Directors do not consider there to be an ultimate controlling party due to no individual party owning a majority share in the Company. See page 15 for information on percentage shareholdings.