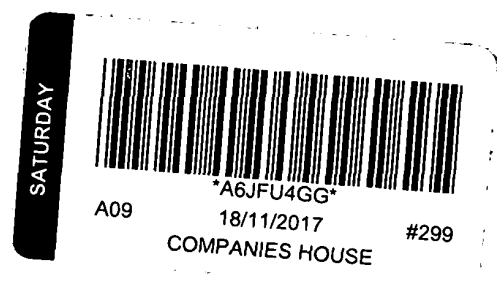


Eagle Eye Solutions Group plc

Strategic and Directors' report,
consolidated and company financial
statements

Registered number 8892109

30 June 2017



Company information

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Secretary	Lucy Sharman-Munday
Company number	8892109
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Strategic report

Chairman's statement

In September 2016, I was delighted to accept the position of Non-Executive Chairman of Eagle Eye, with Tim Mason appointed as our new Chief Executive. It was the Board's belief that Tim would drive the business to become 'Better, Bigger and Faster' as we entered the next stage of Eagle Eye's development. I am very pleased to report that under Tim's leadership the Company has excelled, with a clear strategy in place, accelerated growth, and in a strengthened position to capitalise on the sizeable market opportunity.

Better, Bigger, Faster

During the Year there have been fundamental changes made to ensure that the Company is best placed to capitalise on the market's shift to digital, where there are clear indicators that the consumer now expects real time and personalised reward.

There has been a significant emphasis on people during 2017, ensuring that the leadership team is geared for scale and the culture resonates with both our people and our customers. In addition to the strengthened Board, the executive team has been joined by David Aylmer as Chief Operating Officer to provide particular focus on client delivery, security and scalability of our operational capabilities.

During the Year we expanded internationally in North America with Loblaw Inc ("Loblaw"), the Canadian food retailer, and Europe through the partnership with TCC Global ("TCC"), a global retail marketing company, both of which we have continued to develop.

The North American focus is gaining momentum with the Loblaw implementation of Eagle Eye AIR now underway and the opening of Eagle Eye's first overseas office in Toronto, Canada. The new office and operational team supports the Loblaw project and will act as a hub to capitalise on the significant North American market opportunity estimated to be worth over \$84bn (Cadent Consulting Group 2015 and Raymond James 2016).

Our work with TCC supports our move into the previously unaddressed European market, providing even greater international reach. Since signing the partnership, we have implemented the core foundations for a solid working relationship and most importantly recruited an international team to work solely with TCC. The joint proposition is now being actively marketed 'TCC Digital Connect' and taken into TCC's European clients. Excitingly, we are engaged and in discussions with multiple retailers through the partnership and expect to accelerate win ratios across Europe. We expect to see this partnership develop throughout 2018 and beyond.

We are continuing to explore strategic alliances and partnerships that either allow us to expedite our win ratio or extend our reach in the value chain. This is particularly relevant for our mid-tier customers who increasingly want an end to end solution.

Since Tim's appointment we have reviewed our external messaging to put the consumer at the heart of what we do. With the benefit of his retail and consumer experience, our product marketing has shifted from being solely focused on our technology to articulating what we do from the consumer's perspective. A project was kicked off in June 2017 to build on the work done so far and the new product marketing positioning is expected to launch in financial H1 2018.

A year of strategic and operational progress

The Board is delighted with the significant strategic and operational progress made during the Year. As announced in May 2017, revenues in the Year exceeded our expectations, increasing by 71%. This positive outcome has been driven by the successful execution of our strategy to win new customers, increase transactions from existing customers and deepen our customer relationships.

Off the back of this increased momentum the Company successfully completed a placing of new equity in June 2017. This raised net proceeds of £5.8m which will be used to accelerate investments in product development, infrastructure and marketing resources to take advantage of the market opportunity and drive international expansion. As demonstrated above, the Company has already begun to invest these funds in the core areas for growth.

On behalf of the Board, I want to thank the team for their commitment, hard work and major steps forward this Year in terms of contract wins, further developing the platform and enhancing internal processes to support the next stage of growth.

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Outlook

2017 saw us exceed against management's original revenue expectations, put in the foundations for scale and execute against our growth strategy. In the Year, we experienced increased demand from all sectors, resulting in significant new customer wins, such as John Lewis. We have seen this momentum continue post Year-end, as demonstrated by the two-year contract renewal with Asda, announced in July 2017.

This momentum gives visibility of revenue for the first quarter for the financial year ending 30 June 2018 to be at least 32% up on prior year comparative period at approximately £3.0m. Most importantly, there is an expectation that a higher proportion of revenue will be generated from recurring subscriptions and transaction revenue expected to be approximately £2.2m, 73% (Q1 FY17: £1.6m, 71%). Transaction volumes are expected to be in the region of 30.0m (Q1 FY17: 11.7m) which would represent growth of 157%. This first quarter has seen early benefits from the favourable renewal with Asda, John Lewis going live on the AIR platform within 2 months of contract signature and an increased number of transactions from our food and beverage ("F&B") clients due to exciting issuance partner relationships.

Looking further ahead, there is an expectation that revenue growth will accelerate and the percentage of revenue from recurring subscriptions and transactions will continue to improve as our significant clients begin to transact through the platform at scale and the impact of new strategic partnerships that drive increased transactions.

From the position of strength having raised net proceeds of £5.8m to invest in the marketing and operational capabilities that support our growth plans, the Board is excited and confident in Eagle Eye's capabilities to exploit the considerable global market opportunities in 2018.

This level of growth, momentum and capital gives the Board confidence early in the financial year on delivering against management's expectations.

Malcolm Wall, Non-Executive Chairman

Chief Executive Officer's report

I was delighted to take the opportunity to become the Company's CEO in September 2016. I had already spent a significant part of my career looking at how data can change consumer marketing, and immediately recognised the great potential for Eagle Eye to revolutionise the way that businesses engage with consumers.

Traditional and analogue forms of promotions, rewards and loyalty programmes have lost their lustre with consumers who are increasingly looking for relevant, timely and personalised rewards that offer genuine value. It is Eagle Eye's mission to meet this changing consumer demand, and I believe the Company has the proven, scalable technology to transform an industry.

In this past year, we have established a new structure and ways of working internally to ensure we can deliver optimum results for both the Company and our customers. We have gained significant momentum, driven by our ambition to be 'Better, Bigger, Faster.' We now have a clear vision and strategy in place and delivered results ahead of our expectations during the Year.

Growing market opportunity

There are three critical themes currently affecting the marketplace which present a significant opportunity for Eagle Eye.

Loyalty and the need for real-time engagement

We are seeing a transition from the classic plastic card to digital distribution. Traditional methods which give 1% discounts and a 'rear view' perspective on purchase behaviour are being replaced by digital alternatives. Real-time offers enable highly relevant targeting, giving customers much more value and offering retailers the chance to truly understand their customers, rewarding them whilst they are still in store, thereby maximising engagement.

Large retailers can't shift the dial

The big retailers have substantial analogue schemes which are so embedded in the organisation that it is a challenge to upgrade and innovate their systems. However, with the growing importance of digital channels, in order to meet consumers' expectations and utilise digital, they must look outside of their core schemes to remain competitive. This means they are looking for alternative routes to get new schemes to market quicker presenting a sizeable market opportunity for Eagle Eye's innovative loyalty offering.

Measuring the effect of social media

There is increased pressure for businesses to measure marketing ROI across social media channels and prove that it's a valuable revenue stream. This can be solved through real-time redemption capability, linking online to offline. Brands using Eagle Eye can send personalised offers to consumers and track redemptions in real-time, enabling businesses to invest back into the consumer's social media channels. This real-time element ensures campaigns can be tracked and optimised to maximise success rates, whilst delivering genuine value to consumers.

Through bridging online to offline creating digital connections to track behaviour, eventually retailers can augment the shopping trip beyond the internet, and build a richer single view of the customer.

We are uniquely placed to address these global issues which retailers are facing today by helping them create an intelligent real-time connection with their customers.

Win, Transact, Deepen

Following my appointment in September 2016 our focus has been on building on our strategy to become a global digital marketing leader. To achieve this we aspire to be Better, Bigger and Faster by improving in three core areas of customer interaction: 'Win' (bringing more customers on to the Eagle Eye AIR platform); 'Transact' (driving higher redemption volumes through the platform) and; 'Deepen' (building relationships with customers as the breadth of our product portfolio becomes more developed).

1. Win

We made continued progress adding new retailers and brands to the AIR platform in the Year. At the end of the Year, Eagle Eye had 233 live users, including 74 FMCG brands, up from 219 users with 70 brands at the end of 2016. At the start of the Year we set out to increase the number of redemption points to the network; new retailer signings included the Society of London Theatres, English Heritage and additional Mitchells & Butlers ("M&B") brands: Chicken Society, Son of Steak and Stonehouse.

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In addition, in May 2017, the Company signed a three-year contract with John Lewis PLC ("John Lewis") for the deployment of AIR to deliver improved digital customer marketing. Since the financial Year end the Company announced the 2-year renewal of its contract with Toshiba Global Commerce Solutions for the use of the AIR platform within Asda that integrates with existing ASDA-Walmart POS solutions across Asda stores. Both these UK contract announcements reinforce the clear competitive benefits our solutions deliver to leading retailers.

In March 2017, the Company signed a strategic partnership with TCC Global, a world leader in creating retail marketing programmes and long-term loyalty schemes, allowing Eagle Eye to extend its digital promotions offer into the European loyalty market. TCC Global works with many of Europe's largest retailers, making them a valuable partner, and enabling the Company to accelerate growth outside the UK.

2. Transact

Redemption volumes, which are a key measure of usage of the AIR platform and of the success of our 'transact' strategy, have grown by 58% year-on-year to 60.4m (2016: 38.4m). Volume growth was primarily driven by the full year benefit of Asda volumes, the first phase roll-out for Sainsbury's in the fourth quarter of 2017 and increased brand activity through redemption outlets.

Using Asda as a nationwide redemption channel, from July 2016 to October 2016, *Coke Zero Sugar* ran a promotional campaign across the AIR platform that generated a redemption rate of over 10%, compared to the typical redemption rate of a traditional analogue campaign of 0.5% - 2% (Shopper Technology Institute/Juniper Research). This meaningful uplift in redemptions is proof that Eagle Eye can successfully drive higher redemption rates through the power of digital. As part of this campaign, Eagle Eye formed a new partnership with the lifecycle social advertising company, Drifrock. This unique partnership now enables the success rate of advertising on social media channels to be measured through to redemption.

During the Year we have successfully powered digital campaigns for leading drinks brands through the food and beverage network. These brands include Diageo, AB InBev, Pernod Ricard, Heineken and Suntory. Working with each brand and their media agency the Company has coordinated a number of promotions targeted by region using a combination of web landing pages, programmatic display, traditional advertising, game and dating apps plus social media lead ads. The redemption outlets benefited from the increased footfall and spend per head and fraud is reduced as all the campaigns have used unique "one use only" codes. Real-time results have given the brand owners a previously unknown insight into which media, types of visuals and offers give the best ROI/ROS across any given campaign, allowing the brand owner to "dial up" or "dial down" on media and change or adapt the campaign accordingly.

In messaging services, despite the Public Health England Stoptober campaign not including an SMS element this Year, SMS volumes still increased 10% to 44.4m (2016: 40.3m), as a result of messaging for Asurion and the cross selling of messaging services to the existing client base.

3. Deepen

We have made significant progress in deepening our tier 1 client relationships during the Year with 53% of revenue, £5.9m (2016: 33%, £2.1m) the result of an extension of our service offering with major clients. The embedding of Eagle Eye's technology within these clients is a clear demonstration of the capability and reliability of our technology as a digital marketing platform.

During the Year our tier 1 customers further adopted our range of products to drive their customer focused agendas and accelerate their digital ambitions in order to gain competitive advantage. This will help to drive meaningful transactional revenue growth in future periods.

Further progress in the established F&B sector increased revenue by 20% to £1.8m (2016: £1.5m). This increase has been driven as existing clients onboarded additional brands (including Las Iguanas & La Tasca along with new M&B concepts, Chicken Society and Son of Steak) to the AIR platform as well as utilising more of our services.

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Casual Dining Group and Prezzo have expanded their capabilities through the implementation of staff discount schemes and we also enriched our white label mobile app across the M&B estate through the integration of Flypay to enable pay at table. Our relationship with Tesco Clubcard was also enhanced through the addition of English Heritage and RAC to the platform to allow customers to part pay for membership in points and top up with cash. Furthermore, we've also added The AA as an issuance partner to deliver offers to their customers for redemption in M&B outlets.

Revenue generated from client subscription fees and transactions over the network represented 68% of total revenue (2016: 80%). This reflects the progress we are making in deepening Eagle Eye's system capability within major accounts, which will open up recurring transactional revenues in future periods.

Product development

In 2017 we continued to innovate and enhance our software platform to meet the demands of our customers and evolving consumer trends. Performance improvements were made to support our growing tier 1 grocery volumes, while we extended reporting and relationship management capabilities for issuance partners.

With the addition of supplier funding functionality, we have created the ability for brands to interact with retailers' loyalty schemes through holding buckets of points or value for discount that can be used in targeted promotions to end consumers, all redeemable in store or online through direct integration with the point of sale.

Our enhanced wallet capabilities add flexibility to retailers' loyalty offering, allowing consumers to be targeted with specific promotions. AIR has now been integrated to both Android and Apple Pay to enable payments, offers and rewards to be saved directly.

We also invested in the integration of AIR with social platforms including Facebook, Instagram and Twitter, through partners such as Drifrock to drive audience numbers for brands and retailers. The partnership with Drifrock allows Eagle Eye to track promotional activity from social media to store redemptions and extends the Company's offering along the value chain.

Financial results

Group revenue increased by 71% to £11.1m (2016: £6.5m) for the Year. Of total revenue, 85% (£9.4m) was contributed from the core AIR platform (2016: 72%, £4.6m).

The Group's gross profit was £9.8m, representing a gross margin of 88% (2016: £5.1m, 79%). The increased gross profits were reinvested to drive future growth, meaning that adjusted EBITDA loss was held at £1.8m (2016: £1.8m 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.

Following the successful placing completed in June 2017 which raised £5.8m (net of costs), the Group had net assets of £8.9m as at 30 June 2017 (2016: £5.9m) including cash and cash equivalents of £3.7m (2016: £1.3m). During the Year the Group extended its currently unutilised three year revolving loan facility with Barclays Bank PLC to £3.0m (2016: £1.5m) which together with the funds raised in the placing strengthens the Group's balance sheet.

People

In addition to the Board changes at the beginning of the Year, the management team has been further strengthened by the recruitment of a new Chief Operating Officer, David Aylmer, in May 2017. With extensive experience with system providers and clients, David has a thorough understanding of customer service and delivery. The Group will leverage his experience to ensure first class operations and delivery across Eagle Eye's network of customers. We have also seen significant development within the sales team and a clear focus on the sales process led by Helen Slaven, having joined as Sales Director in May 2016.

The past 12 months has seen rapid growth in our team. The average headcount increased from 73 to 100, as a new office was opened in Toronto, Canada and as there was further investment in people across the business. We have introduced a new life skills training workshop based on the fundamental philosophy that people can benefit from understanding more about themselves, how they perform at their best and what triggers sub optimal performance. A key way for us to be a stand out employer and a great place to work is to be able to provide benefits for our people benefitting them in all parts of their lives. Furthermore, our investment in people improves the capability and competency of the staff in the business.

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The values that we have in place shape our behaviour, reinforce our culture and determine our approach to recruitment. This is what we now call The Purple Standard.

The skill, dedication and talent of our people are fundamental to the continued success of our growing business. We have made great progress over the last 12 months and will continue to make improvements to ensure we attract and retain the best talent.

Looking ahead

This past year we have recorded great progress against our objectives. The business is now more nimble, robust and able to clearly engage with our customers and the market. We have successfully laid the foundations for a great year ahead. I am looking forward to this next stage of growth and the opportunity we have to be market leaders in the digital marketing space.

Tim Mason, Chief Executive Officer

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Financial review

Key Performance Indicators

Financial	2017 £000	2016 £000
Revenue	11,058	6,458
Adjusted EBITDA loss ⁽¹⁾	(1,769)	(1,823)
Loss before interest and tax	(3,843)	(4,100)
Cash and cash equivalents	3,724	1,322
Non-financial	2017	2016
Number of redemptions	60.4m	38.4m
Messaging volumes	44.4m	40.3m
% of subscription transaction revenue	68%	80%
Customers and brands on the platform	233	219

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

Group results

Revenue

Revenue growth for the Group was up 38ppts to 71% for the Year (2016: 33%), with revenue increasing to £11.1m (2016: £6.5m). The Group is continuing to grow half- by-half and H2 2017 revenue accounted for £6.0m (H1 2017: £5.1m), representing growth of 18% on H1 2017 (H1 2016 to H2 2016: 19%).

This growth has been driven by increased revenue from the AIR platform which now represents 85% of total revenue, £9.4m (2016: 72%, £4.6m). This increase was largely as a result of the Group's success with Tier 1 grocer clients Asda, Sainsbury's and Loblaws. Revenue from Tier 1 clients in the UK increased by 92% to £3.3m (2016: £1.7m). This growth was also supported by new business wins such as John Lewis and Society of London Theatres and deepening relationships with existing clients, thus increasing redemption volumes.

Of the AIR platform revenue stream, the element specifically linked to recurring subscriptions and transactions saw a 69% increase to £5.9m (2016: £3.5m), aided specifically by increased licence fees for the Tier 1 clients and the full year effect on transactions of the national roll out of the AIR platform across all Asda stores. This Tier 1 AIR revenue growth is also supported by growth from F&B clients (20%) and other retail clients (69%) in the Year.

Redemption volumes, a key measure of usage of the AIR platform, grew by 58% year-on-year to 60.4m for the Year (2016: 38.4m) driven by the full year impact of our solution for Asda's coupon counting going fully live in the prior year, initial Sainsbury's transactions and increased volumes from existing F&B and other retail clients. In addition, loyalty interactions totalled 1.1m (2016: 0.1m) reflecting the adoption of our loyalty solution by Greggs and M&B during the year.

Overall, £7.5m of revenue generated from subscription fees and transactions over the network represented 68% of total revenue (2016: 80%, £5.2m). The balance, £3.5m, relates to implementation fees for new customers and new services and represents 32% of total revenue (2016: 20%, £1.3m). This increase in value and share for implementation fees reflects the progress made in deepening the Group's product offering within major accounts, particularly for our UK and international Tier 1 grocer clients where implementation fees were £2.8m (2016: £0.7m). These implementations open up recurring transactional revenues which benefit future periods.

Although message volumes increased 10% in the Year to 44.4m (2016: 40.3m), messaging revenue fell to £1.6m for the Year (2016: £1.8m). This reduction reflects the increasingly competitive messaging market. The Group renewed two key contracts during and after the Year, for UK Power Networks and Paragon, and has seen increases in transactional volumes following those renewals.

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Gross profit

The gross margin increased to 88% (2016: 79%) as gross profit grew to £9.8m (2016: £5.1m). The core AIR gross margin carries a significantly higher margin than the messaging business, and has continued to improve during the Year to 96% (2016: 92%). This increase, together with the increase in core AIR revenue which now accounts for 85% of total revenue, has driven the improved margin.

Adjusted operating costs

Adjusted operating costs of £11.5m (2016: £6.9m) represent sales and marketing, product development (net of capitalised costs), operational IT, general and administration costs. The overall increase was in line with management's expectations and plans for strategic growth, including supporting the international activity for Loblaw in Canada. The investment in people is the main driver of this growth, with the average headcount for the Year increasing to 100 (2016: 73). During the Year the Group's infrastructure was also enhanced with both an operational and a disaster recovery data centre in North America having been established, in addition to the existing facilities in the UK.

Within staff costs gross expenditure on product development increased 69% to £2.9m (2016: £1.7m) reflecting investment in enhancing the capacity, features and speed of the AIR platform. Capitalised product development costs were £1.5m (2016: £1.2m) whilst amortisation of capitalised development costs was £1.5m (2016: £1.6m).

EBITDA

Reflecting the strategic re-investment of increased gross profits, adjusted EBITDA loss for the Year was held at £1.8m (2016: loss £1.8m). 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 GAAP measure of loss before interest and tax improved to £3.8m (2016: £4.1m) reflecting a reduction in the non-cash share-based payment charge to £0.4m (2016: £0.6m).

EPS and dividend

Following receipt of £0.3m research and development tax credit (2016: £0.4m), reported basic and diluted loss per share was 15.73p (2016: loss per share 16.36p).

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

Group Statement of Financial Position

Following the successful placing completed in June 2017 which raised £5.8m (net of costs), the Group had net assets of £8.9m at 30 June 2017 (2016: £5.9m), including capitalised intellectual property of £2.2m (2016: £2.2m) and cash of £3.7m (2016: £1.3m). The increase in net assets reflects the proceeds of the placing offset by the loss made in the Year.

Cashflow and net cash

Cash at the end of the Year had increased to £3.7m (2016: £1.3m). The main components to the gross cash increase of £2.4m for the Year (2016: £3.0m decrease) were the proceeds from the placing of £5.8m, offset by an operating cash outflow of £2.0m (2016: £1.5m) and capital investment in the AIR platform of £1.5m (2016: £1.2m).

Banking facility

During the Year the Group extended its three year revolving loan facility with Barclays Bank plc (first arranged in June 2016) to £3.0m (2016: £1.5m) that is currently undrawn and together with the funds raised in the placing means that the Group is well positioned to capitalise on recent momentum in the business and to pursue identified growth opportunities.

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.

The Group is also entering new international markets and not all of these markets may be at the same stage of development. 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.

These risks are mitigated by the strength and experience of the Group's management team.

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. This risk is primarily mitigated by the quality of the technical staff recruited.

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.

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

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 could 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.

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.

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

The Group is dependent on a number of key contracts and partner relationships for its current and future growth and development. 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 continue to 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 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 could be impaired and the delay and inability may have a detrimental effect upon the performance of the Group.

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 the introduction of the General Data Protection Regulation in 2018), 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.

Exit of UK from European Union

The UK has voted in an advisory referendum to leave the European Union (commonly referred to as "Brexit"). The impact of the referendum and consequent triggering of Article 50 of the Lisbon Treaty is not yet clear, but it may significantly affect the fiscal, monetary and regulatory landscape in the United Kingdom, and could have a material impact on its economy and the future growth of its various industries. Depending on the exit terms negotiated between EU Member States and the UK following Brexit, the United Kingdom could lose access to the single European Union market and the global trade deals negotiated by the European Union on behalf of its members. Such a change in trade terms could affect the attractiveness of the United Kingdom as an investment centre and, as a result, could have a detrimental effect on UK companies. This may impact the Group's ability to access funding in the future, and its prospects. Although it is not possible at this point in time to predict fully the effects of an exit of the United Kingdom from the European Union, it could have a material effect on the Group's business, financial condition and results of operations. In particular, it may impact the Group's ability to recruit suitably skilled staff for its UK-based operations.

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.

Eagle Eye Solutions Group plc
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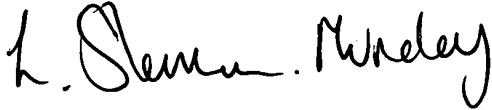
Employee involvement

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 employee 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.

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

18 September 2017

Governance

Board of Directors

Malcolm Wall – Non Executive Chairman – A, B

Malcolm joined the Group as a non-executive director in 2014, taking the role of Chairman in September 2016. 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 and Dock10 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 Starcount Limited and a director of Its Fresh Limited and So Purple Group Limited.

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 of companies. Previously he was a top ranked city investment analyst, serving as Joint Managing Director of Charterhouse Securities and Director of Research at BZW. Bill and his wife, Kate, were co-founders of The Fragrance Shop Limited. His current directorships include Metapack Limited, Belvedere Schools Limited, LTS Group Limited and Wranx Limited.

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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. His current directorships include Metapack Limited, the Social Mobility Foundation and the Foundation Years Trust and he 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 Aimiles 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 2017.

Principal activities, business review and future developments

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

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
Steve Rothwell
Lucy Sharman-Munday
Bill Currie
Sir Terry Leahy
Drew Thomson
Malcolm Wall
Phill Blundell (resigned 17 January 2017)

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.

Directors' remuneration and share options

Remuneration in respect of the directors was as follows:

	30 June 2017 Aggregate emoluments and fees £000	30 June 2017 Pension costs £000	30 June 2017 Total £000	30 June 2016 Aggregate emoluments and fees £000	30 June 2016 Pension costs £000	30 June 2016 Total £000
Tim Mason	264	-	264	35	-	35
Steve Rothwell	194	5	199	190	-	190
Lucy Sharman- Munday	194	5	199	181	5	186
Drew Thomson	35	-	35	35	-	35
Terry Leahy	5	-	5	5	-	5
Bill Currie	-	-	-	-	-	-
Malcolm Wall	60	-	60	35	-	35
Phill Blundell	249	3	252	239	-	239
Bob Willett	-	-	-	37	-	37
	1,001	13	1,014	757	5	762

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

30 June 2017	EMI share option scheme	Unapproved share option scheme	LTIP share option scheme	Total
Tim Mason	-	-	664,553	664,553
Steve Rothwell	344,241	229,759	142,168	716,168
Lucy Sharman-Munday	125,000	-	130,965	255,965

30 June 2016	EMI share option scheme	Unapproved share option scheme	LTIP share option scheme	Total
Tim Mason	-	-	443,165	443,165
Steve Rothwell	344,241	229,759	45,926	619,926
Lucy Sharman-Munday	125,000	-	39,383	164,383
Phill Blundell	226,574	-	57,778	284,352

The market price of the Company's shares at the end of the financial year was £2.640 and the range of the market price during the year was between £0.925 and £3.025.

Substantial Shareholdings

At 17 September 2017, 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).

	Total shares	%
Bill Currie *	3,013,322	11.86
Hargreave Hale Limited	2,307,032	9.08
Sir Terry Leahy *	2,270,970	8.94
Andrew Sutcliffe	2,032,158	8.00
Cavendish Asset Management Limited	1,831,001	7.20
Christopher Gorell Barnes	1,531,866	6.03
Steve Rothwell	1,511,672	5.95
Julian Reiter	1,342,390	5.28
Herald Investments	877,318	3.45
Timothy Miller	872,975	3.43
Edward Pippin	855,000	3.36

*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 21.

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 non-executive Chairman, who was independent at the time of appointment, three executive directors and three other 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.

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.

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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 9 to 11 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 (2016: £nil).

Strategic report

The Company has chosen in accordance with Companies Act 2006, section 414C (11) to set out in the Company's strategic report on pages 1 to 12 information required to be contained in the directors' report by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7, where not already disclosed in the directors' report.

Statement as to disclosure of information to the auditor

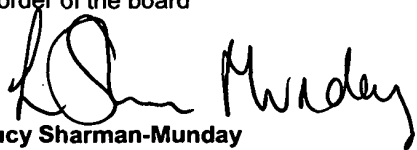
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have 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.

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Auditor

RSM UK Audit LLP were appointed for the year ended 30 June 2017 and have indicated their willingness to continue in office.

By order of the board

A handwritten signature in black ink, appearing to read 'Lucy Sharman-Munday', written over a faint, illegible printed name.

Lucy Sharman-Munday
Company Secretary

5 New Street Square
London
EC4A 3TW

18 September 2017

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

Opinion

We have audited the financial statements of Eagle Eye Solutions Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the consolidated statement of total comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies, the company statement of financial position, the company statement of changes in equity and notes to the company financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

(Refer to page 32 regarding the accounting policy in respect of revenue recognition, page 37 in respect of critical judgements and estimates applied by the Directors and note 3 to the financial statements on page 38)

The risk

Appropriate and accurate income recognition is required to be applied by the Directors to ensure that revenue is recognised in accordance with IAS 18 *Revenue* within the financial statements. There is a risk that revenue could be inappropriately recognised depending on the stage of service delivery. In the year to 30 June 2017 revenue recognised amounted to £11,058k (2016: £6,458k).

Our response

We have conducted analytical work on revenue streams, performed additional cut-off testing on key revenue streams in order to identify any areas of material misstatement and challenged the appropriateness of judgments made by the Board regarding the revenue recognition criteria for key customer contracts.

Carrying values of intangibles and capitalisation of development costs

(Refer to page 34 regarding the accounting policy in respect of Internally-generated development intangible assets, page 37 in respect of critical judgements and estimates applied by the Directors and note 9 to the financial statements on pages 42 to 43)

The risk

The capitalisation of development costs as an intangible asset requires the Board of Directors to demonstrate that six criteria as defined within IAS 38 *Intangible Assets* have all been met. At the 30 June 2017, there is £2,174k of intellectual property capitalised (2016: £2,174k) in the Consolidated Statement of Financial Position.

The risk that the capitalisation of development costs may not be appropriate and may not adhere to the IAS 38 criteria is considered to be one of the most significant assessed risks of material misstatement due to its judgemental nature and the assessment the Board are required to make. Furthermore, the Board are required to establish a useful economic life for the assets in question and consider the carrying values of these assets, on an annual basis for any indicators or impairment.

Our response

We have obtained an analysis of the constituent components of the capitalised development costs at the reporting date and re-performed the calculation of costs capitalised on a sample basis. We have also obtained an analysis of the new projects capitalised in the year and challenged the judgments made by the Board in their assessment of the capitalisation criteria.

In addition, we have challenged the assumptions over the remaining useful economic lives, and considered whether there are any indicators of impairment in light of our understanding of the projects undertaken and the business as a whole.

Carrying value of goodwill

(Refer to page 33 regarding the accounting policy in respect of goodwill, page 37 in respect of critical judgements and estimates applied by the Directors and note 9 to the financial statements on pages 42 to 43)

The risk

The Board of Directors are required to undertake an annual impairment review in accordance with IAS 36 *Impairment of assets*.

This impairment review requires judgment in determining the cash generating units ("CGUs") and estimating the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires an assessment of the future cash flows of the cash generating units and discounting at an appropriate discount rate. At the 30 June 2017, there is £2,664k of goodwill capitalised (2016: £2,664k) in the Consolidated Statement of Financial Position.

Our response

As part of our procedures we challenged the Director's rationale for changing the basis for identification of CGU's compared to those identified in the previous period. In addition, we assessed the assumptions in relation to revenue and profit growth rates by considering historical trading performance, latest market expectations and considering probable and possible income streams taking into account current contracts, those that are in negotiation and additional potential growth. We also challenged the applied discount rate by considering the weighted average cost of capital for the Group, discount rates applied to other similar listed businesses, the rationale as to why it had reduced from the previous period and the sensitivity of the carrying value of the CGU to impairment should the discount rate be increased.

Share options

(Refer to page 36 regarding the accounting policy in respect of share-based payments, page 37 in respect of critical judgements and estimates applied by the Directors and note 17 to the financial statements on pages 50 to 51)

The risk

The calculation of the annual charge in accordance with IFRS 2 Share-based payment to account for the share options that have been issued to certain members of Group staff requires estimates made by the Board. In the year to 30 June 2017 there is a charge of £431k (2016: £632k) recognised in the Consolidated Statement of Total Comprehensive Income.

In accounting for share based payments there is a risk that the model applied is not appropriate and inputs subject to estimation are inappropriate.

Our response

We have considered the appropriateness of the models used and applied scepticism to the inputs used in the assessment of the share-based compensation charge through consultation with our internal valuation team.

In addition, we have further challenged the assertions made in the model in respect of employee service and performance vesting conditions and sensitised a range of alternative scenarios for these along with other assumptions used in the model.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £133,500, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group's two significant components were subject to full scope audit procedures for group and statutory reporting purposes. We did not rely on the work of any component auditors. As part of our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were then performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

As part of our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were then performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Eagle Eye Solutions Group plc
Consolidated Financial Statements for the year ended 30 June 2017

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.


Graham Bond FCA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street,
Manchester,
M3 3HF

19 September 2017

Consolidated statement of total comprehensive income
for the year ended 30 June 2017

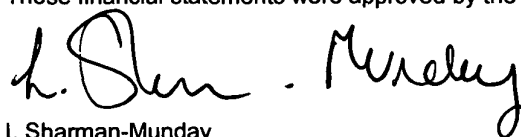
	Note	2017 £000	2016 £000
Continuing operations			
Revenue	3	11,058	6,458
Cost of sales		(1,297)	(1,369)
Gross profit		9,761	5,089
Adjusted operating expenses ⁽¹⁾		(11,530)	(6,912)
Loss before interest, tax, depreciation, amortisation and share-based payment charge		(1,769)	(1,823)
Share-based payment charge		(431)	(632)
Depreciation and amortisation		(1,643)	(1,645)
Operating loss	4	(3,843)	(4,100)
Finance income	6	-	2
Finance expense	6	(67)	-
Loss before taxation		(3,910)	(4,098)
Taxation	7	391	473
Loss after taxation for the financial year		(3,519)	(3,625)
Foreign exchange adjustments		33	16
Total comprehensive loss attributable to the owners of the parent for the financial year		(3,486)	(3,609)
⁽¹⁾ Adjusted operating expenses excludes share-based payment charge, depreciation and amortisation			
Loss per share			
From continuing operations			
Basic and diluted	8	(15.73)p	(16.36)p

Eagle Eye Solutions Group plc
Consolidated Financial Statements for the year ended 30 June 2017

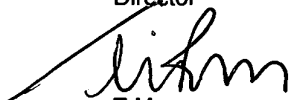
Consolidated statement of financial position
as at 30 June 2017

	Note	2017 £000	2016 £000
Non-current assets			
Intangible assets	9	4,838	4,838
Property, plant and equipment	10	246	243
		5,084	5,081
Current assets			
Trade and other receivables	12	3,576	2,080
Cash and cash equivalents	15	3,724	1,322
		7,300	3,402
Total assets		12,384	8,483
Current liabilities			
Trade and other payables	13	(3,348)	(2,394)
Non-current liabilities			
Deferred tax liability	14	(174)	(220)
Total liabilities		(3,522)	(2,614)
Net assets		8,862	5,869
Equity attributable to owners of the parent			
Share capital	16	253	222
Share premium	16	17,008	10,991
Merger reserve	16	3,278	3,278
Share option reserve		1,303	1,230
Retained losses		(12,980)	(9,852)
Total equity		8,862	5,869

These financial statements were approved by the Board on 18 September 2017 and signed on its behalf by:



L Sharman-Munday
 Director



T Mason
 Director

Consolidated statement of changes in equity
for the year ended 30 June 2017

	Share capital £000	Share premium £000	Merger reserve £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 July 2015	221	10,985	3,278	608	(6,253)	8,839
Loss for the financial year	-	-	-	-	(3,625)	(3,625)
Other comprehensive income						
Foreign exchange adjustments	-	-	-	-	16	16
	-	-	-	-	(3,609)	(3,609)
Transactions with owners recognised in equity						
Exercise of share options	1	6	-	-	-	7
Fair value of share options exercised in the year	-	-	-	(10)	10	-
Share-based payment charge	-	-	-	632	-	632
	1	6	-	622	10	639
Balance at 30 June 2016	222	10,991	3,278	1,230	(9,852)	5,869
Loss for the financial year	-	-	-	-	(3,519)	(3,519)
Other comprehensive income						
Foreign exchange adjustments	-	-	-	-	33	33
	-	-	-	-	(3,486)	(3,486)
Transactions with owners recognised in equity						
Issue of share capital	27	5,973	-	-	-	6,000
Issue costs	-	(240)	-	-	-	(240)
Exercise of share options	4	284	-	-	-	288
Fair value of share options exercised in the year	-	-	-	(319)	319	-
Fair value of share options lapsed in the year	-	-	-	(39)	39	-
Share-based payment charge	-	-	-	431	-	431
	31	6,017	-	73	358	6,479
Balance at 30 June 2017	253	17,008	3,278	1,303	(12,980)	8,862

Included in Retained losses is a cumulative foreign exchange balance of £49,000 (2016: £16,000) which could be recycled to profit and loss.

Eagle Eye Solutions Group plc
Consolidated Financial Statements for the year ended 30 June 2017

Consolidated statement of cash flows
for the year ended 30 June 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Loss before taxation	(3,910)	(4,098)
Adjustments for:		
Depreciation	104	80
Amortisation	1,539	1,565
Share-based payment charge	431	632
Finance income	-	(2)
Finance expense	67	-
Increase in trade and other receivables	(1,496)	(663)
Increase in trade and other payables	954	555
Income tax paid	(1)	-
Income tax received	346	403
Net cash flows from operating activities	(1,966)	(1,528)
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(107)	(270)
Payments to acquire intangible assets	(1,539)	(1,197)
Net cash flows used in investing activities	(1,646)	(1,467)
Cash flows from financing activities		
Net proceeds from issue of equity	6,048	7
Proceeds from borrowings	5,600	-
Repayment of borrowings	(5,600)	-
Interest received	-	2
Interest paid	(67)	-
Net cash flows from financing activities	5,981	9
Net increase/(decrease) in cash and cash equivalents in the year	2,369	(2,986)
Foreign exchange adjustments	33	16
Cash and cash equivalents at beginning of year	1,322	4,292
Cash and cash equivalents at end of year	3,724	1,322

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 and is commonly used by City analysts and investors.

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 issued but not effective for the financial year beginning 1 July 2016 and not early adopted

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

Standard	Key requirements	Effective date (for annual periods beginning on or after)
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. Having reviewed the nature of the Group's financial instruments, the Directors do not expect adoption of this standard to have any impact on the results of the Group.	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. The Directors have commenced initial reviews of the Group's material contracts with Tier 1 grocers, applying the five-step model, and are considering the Group's other customer contracts however have not yet concluded whether the adoption of this standard will have any impact on the revenue reported by the Group.	1 January 2018

Eagle Eye Solutions Group plc
Consolidated Financial Statements for the year ended 30 June 2017

Standard	Key requirements	Effective date (for annual periods beginning on or after)
IFRS 16, Leases	The standard requires lessees to account for 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. The Group's leases primarily relate to its office accommodation. The Directors expect that the adoption of this standard will increase the Group's non-current assets, current and long-term liabilities in the statement of financial position. In the income statement, operating expenses will be reduced, amortisation and interest expense will be increased. This amount has not yet been quantified.	1 January 2019
Amendments to IAS 7, Disclosure Initiative	The amendments require additional disclosures to be made regarding changes in liabilities arising from financing activities to enable users of financial statements to better understand changes in the Group's debt. Having reviewed the Group's liabilities, the Directors do not expect adoption of these amendments to have a material impact on the Group.	1 January 2017
Amendments to IAS 12, Recognition of Deferred Tax	The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of unrealised losses on debt instruments measured at fair value. As the Group currently has no debt instruments measured at fair value, the Directors do not expect adoption of these amendments to have an impact on the Group.	1 January 2017
IFRIC 22, Foreign Currency Transactions and Advance Consideration	The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of a related asset, expense or income on the derecognition of a non-monetary asset or liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. As the Group has not been involved in any transactions including advance consideration in foreign currencies, the Directors do not expect adoption of this interpretation to have an impact on the Group.	1 January 2018
Annual improvements to IFRSs 2014-2016	The 2016 Annual improvements cycle covered amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IAS 28 Investments in Associated and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities. The Directors do not expect adoption of these amendments to have an impact on the Group.	1 January 2019

There are no other IFRSs, IFRIC interpretations or amendments 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".

Accounting policies (continued)

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.

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 development project can take 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 linked to transactional volumes and are recognised 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.

Accounting policies (continued)

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.

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.

Accounting policies (continued)

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.

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 first to any goodwill in the cash-generating unit and then pro rata to the other assets of 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'.

Accounting policies (continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held on call with banks. 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.

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 auto-enrolment pension scheme for 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 profit or loss for the year in each territory. Taxable profit or loss differs from the profit or loss for the financial year as reported in the statement of total comprehensive income 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 liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future 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.

Accounting policies (continued)

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.

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; and
- 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 Group's patented, proprietary technology and service offering are unique and there are therefore no direct competitors against whom forecast growth and discount rates can be compared. Therefore the growth and discount rates are selected based on comparison with those of the Group's partners and those companies that the Group is compared with by City analysts and investors.

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 2017 is £2.7 million (2016: £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. Percentage completion is determined based on completion of individual deliverables within the entire project or relevant milestone as appropriate on the basis of planned work associated with that deliverable. Milestones and the Directors' estimate of percentage completion may differ, which could impact operating results positively or negatively. At 30 June 2017, unbilled but contracted revenue of £148,000 (2016: £161,000) has been recognised for development fees recognised on a percentage completion basis.

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 2017 is £431,000 (2016: £632,000). Further information on share options can be found in note 17.

Critical accounting estimates and judgements (continued)

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 2017 was £22.6 million (2016: £17.7 million). Although the tax losses brought forward are not expected to expire, given the Group's history of recent losses and continued investment for growth, recovery of any element of this asset is expected to be at least two years from the date of these financial statements and therefore in the judgement of the Directors the tax losses carried forward do not meet the 'probable' definition criteria for an asset within IAS 12. The value of the deferred tax asset not recognised at 30 June 2017 was £4.3 million (2016: £3.5 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:

	2017 £000	2016 £000
Development and set up fees	3,512	1,275
Subscription and transaction fees	7,546	5,183
	11,058	6,458

	2017 £000	2016 £000
AIR revenue	9,426	4,637
Messaging revenue	1,632	1,821
	11,058	6,458

In the year to 30 June 2017, revenue from two of the Group's customers represented more than 10% of the Group's revenue. Revenue related to those customers was £2,627,000 and £2,554,000 respectively. In the year to 30 June 2016, revenue from two 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.

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

	2017 £000	2016 £000
United Kingdom	8,249	5,871
North America	2,557	405
Rest of Europe	149	81
Asia Pacific	103	101
	11,058	6,458

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

Eagle Eye Solutions Group plc
Consolidated Financial Statements for the year ended 30 June 2017

4 Operating loss

Operating loss is stated after charging to administrative costs:

	2017 £000	2016 £000
Depreciation of owned tangible assets	104	80
Amortisation of intangible assets	1,539	1,565
Employee costs (see note 5)	7,114	4,941
Operating lease rentals	251	228
Auditor's remuneration		
Audit of parent and consolidated accounts	15	12
Audit of the Company's subsidiaries	19	20
Non-audit services		
Other non-audit services ⁽¹⁾	30	18
Research and development	542	358

⁽¹⁾ Other non-audit services includes tax services of £29,000 (2016: £17,000).

5 Particulars of staff

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

	2017 No	2016 No
Product development	43	28
Operations	29	21
Sales and administration	28	24
	100	73

The aggregate payroll costs of these persons were:

	2017 £000	2016 £000
Wages and salaries	7,038	4,818
Share-based payment charge	431	632
Social security costs	830	558
Pension costs- defined contribution plan	146	33
	8,445	6,041
Less: amounts capitalised as intellectual property	(1,331)	(1,100)
	7,114	4,941

Particulars of staff (continued)

Key management remuneration

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

	2017	2016
	£000	£000
Aggregate emoluments including short-term employee benefits	1,276	1,111
Share-based payment charge	307	508
Pension costs- defined contribution plan	20	8
Social security costs	182	153
	1,785	1,780

Directors' remuneration

Remuneration of directors during the year was as follows:

	2017	2016
	£000	£000
Aggregate emoluments including short-term employee benefits	1,001	757
Pension costs- defined contribution plan	13	5
	1,014	762

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

	2017	2016
	£000	£000
Aggregate emoluments including short-term employee benefits	264	239

The remuneration of individual directors is disclosed in the Directors' report on page 16. Retirement benefits are accruing to two (2016: one) directors.

6 Finance income and expense

	2017	2016
	£000	£000
Interest receivable on bank deposits	-	2

	2017	2016
	£000	£000
Interest payable on revolving credit facility	67	-

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7 Taxation

	2017	2016
	£000	£000
Current tax		
UK Corporation tax at 19.75% (2016: 20.00%)	-	-
Overseas tax	1	-
Adjustments in respect of prior years ⁽¹⁾	(346)	(403)
	(345)	(403)
Deferred tax		
In respect of current year	(868)	(706)
In respect of prior years	822	636
	(46)	(70)
Tax on loss on ordinary activities	(391)	(473)
Tax reconciliation		
Loss before tax	(3,910)	(4,098)
Tax using UK corporation tax rate of 19.75% (2016: 20.00%)	(772)	(820)
Non-deductible expenses	4	4
Employee share acquisition relief	(191)	(4)
Temporary timing differences	102	44
Unrelieved tax losses	822	720
Effect of changes in tax rates	(10)	(14)
Adjustment to current tax in respect of prior years ⁽¹⁾	(346)	(403)
Tax on loss on ordinary activities	(391)	(473)

⁽¹⁾ 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.

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:

	2017		2016	
	Loss per share pence	Loss £000	Loss per share pence	Loss £000
Basic and diluted loss per share	(15.73)	(3,519)	(16.36)	(3,625)
		Weighted average number of ordinary shares		Weighted average number of ordinary shares
		22,373,645		22,155,260

9 Intangible assets

	Goodwill £000	Intellectual property £000	Total £000
Cost			
At 1 July 2015	2,664	4,535	7,199
Additions	-	1,197	1,197
At 30 June 2016	2,664	5,732	8,396
Additions	-	1,539	1,539
At 30 June 2017	2,664	7,271	9,935
Amortisation			
At 1 July 2015	-	1,993	1,993
Charge for the year	-	1,565	1,565
At 30 June 2016	-	3,558	3,558
Charge for the year	-	1,539	1,539
At 30 June 2017	-	5,097	5,097
Net book value			
At 30 June 2017	2,664	2,174	4,838
At 30 June 2016	2,664	2,174	4,838
At 1 July 2015	2,664	2,542	5,206

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. Following the successful integration of the acquired 2ergo business, the Group has one identifiable cash generating unit in the UK. An annual impairment review of the goodwill arising on the 2ergo acquisition has therefore been performed for the UK cash generating unit. The recoverable value of the unit has been based on its value in use. The cash flow projections, which were based on 3 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.

Intangible assets (continued)

2017				
	Carrying value of goodwill £000	Period over which cash flows have been projected	Growth rate beyond management approved forecasts	Discount rate for cashflow projections
Cash generating unit UK	2,664	5 years	2.5%	15%
2016				
	Carrying value of goodwill £000	Period over which cash flows have been projected	Growth rate beyond management approved forecasts	Discount rate for cashflow projections
Cash generating unit Messaging	2,664	5 years	2.5%	30%

In the prior year the acquired Zergo business was not fully integrated and therefore it was possible to identify a separate messaging cash generating unit. With messaging now fully integrated the smallest cash generating unit which the goodwill relates to is the UK cash generating unit.

The key assumptions underlying the forecast are the continued success in winning new business and the discount rate applied. These assumptions are based on management's experience and the historical success of the cash-generating unit. As the Group's SaaS AIR platform is a unique solution in the marketplace there are no directly comparable companies to compare against when estimating the discount and growth rates to be applied. The rates chosen are estimated considering those used by the Group's partners and other entities that the Group is compared with by City analysts and investors.

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

	Computer equipment £000	Office furniture and fittings £000	Total £000
Cost			
At 1 July 2015	154	5	159
Additions	34	236	270
At 30 June 2016	188	241	429
Additions	85	22	107
At 30 June 2017	273	263	536
Depreciation			
At 1 July 2015	103	3	106
Charge for the year	42	38	80
At 30 June 2016	145	41	186
Charge for the year	51	53	104
At 30 June 2017	196	94	290
Net book value			
At 30 June 2017	77	169	246
At 30 June 2016	43	200	243
At 1 July 2015	51	2	53

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

	2017 £000	2016 £000
Non-current assets		
Property, plant and equipment	-	6
Current assets		
Trade and other receivables	24	22
Cash and cash equivalents	18	19
	42	41
Total assets	42	47
Current liabilities		
Trade and other payables	(3)	(3)
Net assets	39	44

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

	2017 £000	2016 £000
Profit before tax	(1)	7
Income tax	-	-
Profit after tax	(1)	7

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

	2017	2016
	£000	£000
Trade receivables	2,678	1,048
Less: Provision for impairment of trade receivables	(18)	(26)
	2,660	1,022
Prepayments	553	519
Accrued income	338	488
Other receivables	25	51
	3,576	2,080

The ageing of trade receivables that were not impaired at 30 June 2017 was:

	2017	2016
	£000	£000
Not past due	1,938	890
Up to 3 months past due	714	113
More than 3 months past due	4	14
	2,656	1,017

Accrued income and other receivables are not past due (2016: 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. 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 2017, trade receivables of £22,000 (2016: £31,000) were impaired and provided for, all of which were more than 2 months old (2016: more than 2 months old). The amount of the provision was £18,000 as at 30 June 2017 (2016: £26,000). Movements on the provision for impairment of trade receivables are as follows:

	2017	2016
	£000	£000
At 1 July	26	40
Provision for impairment of receivables (released)/charged	(4)	12
Receivables written off during the year	(4)	(26)
	18	26
At 30 June	18	26

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

Trade and other receivables (continued)

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

	2017	2016
	£000	£000
Sterling	2,701	1,826
Canadian Dollars	875	254
	3,576	2,080

13 Trade and other payables

	2017	2016
	£000	£000
Current		
Trade payables	739	706
Accruals	1,416	943
Deferred income	520	404
Other payables	673	341
	3,348	2,394

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

	2017	2016
	£000	£000
Sterling	2,861	2,394
Canadian Dollars	487	-
	3,348	2,394

14 Deferred tax liability

The elements of deferred taxation are as follows:

	2017	2016
	£000	£000
Accelerated capital allowances and intellectual property	174	220

Deferred tax liability (continued)

Movement in deferred tax:

	Accelerated capital allowances and intellectual property £000
At 1 July 2015	290
Credited to income statement	(70)
At 30 June 2016	220
Credited to income statement	(46)
At 30 June 2017	174

No deferred tax asset is recognised for unused tax losses across the Group of £22.6 million (2016: £17.7 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

	2017 £000	2016 £000
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables	2,998	1,552
Cash and cash equivalents	3,724	1,322
	6,722	2,874
Financial liabilities		
<i>Other financial liabilities</i>		
Trade and other payables	2,828	1,690

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.

Financial instruments and financial risk management (continued)

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 and receivable balances are monitored on an ongoing basis with the aim of minimising the Group's exposure to bad debt. 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 Barclays Bank plc in the United Kingdom was £3,717,000 (2016: £28,000) and with HSBC Bank plc in the United Kingdom was £7,000 (2016: £1,294,000).

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 £4,000 (2016: £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.

During the year the Group extended its three year revolving loan facility with Barclays to £3.0 million (2016: £1.5 million), secured on the Group's assets. At 30 June 2017 this facility is not currently 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:

	2017 £000	2016 £000
Sterling	3,674	1,136
Canadian Dollars	50	186
	3,724	1,322

The gross value of receivables and payables by currency is disclosed in notes 12 and 13 respectively. The Group has the following net other financial instruments:

	2017 £000	2016 £000
Sterling	(131)	(382)
Canadian Dollars	301	244
	170	(138)

Financial instruments and financial risk management (continued)

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:

	2017 £000	2016 £000
Net assets	21	15
Loss before tax	48	14

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.

16 Share capital and reserves

The authorised share capital of the Company is 25,336,327 ordinary shares of 1p each.

	Number of shares issued and fully paid	Share capital £000	Share premium £000
At 1 July 2015	22,144,266	221	10,985
Issue of share capital	14,020	1	6
Issue costs		-	-
At 30 June 2016	22,158,286	222	10,991
Issue of share capital	3,178,041	31	6,257
Issue costs		-	(240)
At 30 June 2017	25,336,327	253	17,008

On 9 February 2017, 7 April 2017, 30 May 2017, 1 June 2017, 6 June 2017, 20 June 2017 and 30 June 2017, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on these dates was 511,374.

On 12 June 2017 the Company issued 2,666,667 1p ordinary shares pursuant to a placing of its shares on AIM, to build on UK success achieved to date, target expansion in Canada and North America from the Group's existing relationship and to capitalise on the opportunity in Europe.

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 service and performance criteria relating to the options are the continuing employment of the holder and the achievement of certain earnings based performance criteria and in the case of the LTIP Share Option Scheme, the performance of the Company's share price.

	2017 Number of share options	2017 Weighted average exercise price £	2016 Number of share options	2016 Weighted average exercise price £
Outstanding at the beginning of the year	2,507,824	0.73	1,753,899	0.83
Granted during the year	1,005,377	0.58	903,698	0.68
Exercised in the year	(511,374)	(0.56)	(14,020)	(0.51)
Lapsed in the year	(460,442)	(1.00)	(135,753)	(1.77)
Outstanding at the end of the year	2,541,385	0.65	2,507,824	0.73
Exercisable at the end of the year	960,416	0.73	281,304	0.51

In the year ended 30 June 2017, options were granted on 21 September 2016, 18 November 2016 and 12 June 2017. The aggregate of the estimated fair value of the options granted on those dates was £675,000 and the weighted average share price on those dates was £1.26.

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 £2.20.

In the year ended 30 June 2017, options were exercised on 9 February 2017, 7 April 2017, 30 May 2017, 1 June 2017, 6 June 2017, 20 June 2017 and 30 June 2017. The weighted average share price on those dates was £2.39.

In the year ended 30 June 2016, options were exercised on 18 September 2015. The share price on that date was £1.78.

Options outstanding under the Company's share option schemes at 30 June 2017 were as follows:

Name of scheme	2017	2016	Calendar year of grant	Exercise period	Exercise price per share
	No of options	No of options			
EMI Share Option Scheme	530,657	1,025,559	2014	2014-2024	£0.51
EMI Share Option Scheme	200,000	300,000	2014	2014-2024	£1.55
EMI Share Option Scheme	73,808	73,808	2015	2015-2025	£2.07
EMI Share Option Scheme	96,472	106,472	2015	2015-2025	£2.23
EMI Share Option Scheme	-	161,530	2016	2016-2026	£1.96
EMI Share Option Scheme	110,000	-	2016	2016-2026	£1.32
EMI Share Option Scheme	226,509	-	2016	2016-2026	£1.06
EMI Share Option Scheme	70,693	-	2017	2017-2027	£2.69
LTIP Share Option Scheme	1,003,487	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 8.1 years (2016: 8.5 years).

Share option schemes (continued)

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:

	2017	2016
Weighted average exercise price	£0.68	£0.73
Expected volatility	25.3%-42.2%	25.3%-35.0%
Expected life	5 years	5 years
Risk free interest rate	0.2%-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.

The Group recognised a charge of £431,000 (2016: £632,000) related to equity-settled share-based payment transactions in the year.

18 Operating lease commitments

At 30 June 2017, the Group had aggregate minimum lease payments under non-cancellable operating leases for office and other sites as follows:

	2017 £000	2016 £000
Due within 1 year	271	243
Due within 2-5 years	344	557
	615	800

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 technical development services to the value of £119,000 (2016: £77,000) from Eagle Eye Technology Limited, a company in which Stephen Rothwell, a director of the Company, holds an interest. At 30 June 2017, £14,000 (2016: £28,000) was outstanding in respect of these services.

During the year the Group acquired marketing services to the value of £20,000 (2016: £nil) from Digital Natives Content Limited, a company in which Tim Mason, a director of the Company, holds an interest. At 30 June 2017, £12,000 (2016: £nil) was outstanding in respect of these services.

During the year the Group provided services to the value of £15,000 (2016: £nil) to Purple Wifi Limited, a subsidiary of So Purple Group Limited, a company in which Tim Mason and Terry Leahy, directors of the Company, hold an interest. At 30 June 2017, £nil (2016: £nil) was outstanding in respect of these services.

At 30 June 2017, directors' emoluments of £1,000 were outstanding to Sir Terry Leahy (2016: £1,000), who is paid in arrears.

Related party transactions (continued)

Save as disclosed above, none of the key management personnel of the Group owe any amounts to any company within the Group (2016: £nil), nor are any amounts due from any company in the Group to any of the key management personnel (2016: £nil).

There have been no transactions with Eagle Eye Solutions (Asia Pacific) Pty Limited during the year or the prior year.

20 Ultimate controlling party

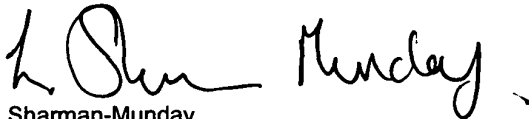
The Directors do not consider there to be an ultimate controlling party due to no individual party owning a majority share in the Company. See page 17 for information on percentage shareholdings.

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Company statement of financial position
as at 30 June 2017

	Note	2017 £000	2016 £000
Non-current assets			
Investments in subsidiaries	5	5,697	5,667
		5,697	5,667
Current assets			
Trade and other receivables	6	8,004	4,923
Cash and cash equivalents		3,341	859
		11,345	5,782
Total assets		17,042	11,449
Current liabilities			
Trade and other payables	7	(125)	(163)
Net assets		16,917	11,286
Equity attributable to owners of the parent			
Share capital	8	253	222
Share premium	8	17,008	10,991
Share option reserve		1,303	1,230
Retained losses		(1,647)	(1,157)
Total equity		16,917	11,286

These financial statements were approved by the Board on 18 September 2017 and signed on its behalf by:



L Sharman-Munday
 Director



T Mason
 Director

Company statement of changes in equity
 for the year ended 30 June 2017

	Share capital £000	Share premium £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 July 2015	221	10,985	608	(638)	11,176
Loss for the financial year	-	-	-	(519)	(519)
Transactions with owners recognised in equity					
Exercise of share options	1	6	-	-	7
Fair value of share options exercised in the year	-	-	(10)	-	(10)
Share-based payment charge	-	-	632	-	632
	1	6	622	-	629
Balance at 30 June 2016	222	10,991	1,230	(1,157)	11,286
Loss for the financial year	-	-	-	(490)	(490)
Transactions with owners recognised in equity					
Issue of share capital	27	5,973	-	-	6,000
Issue costs	-	(240)	-	-	(240)
Exercise of share options	4	284	-	-	288
Fair value of share options exercised in the year	-	-	(319)	-	(319)
Fair value of share options lapsed in the year	-	-	(39)	-	(39)
Share-based payment charge	-	-	431	-	431
	31	6,017	73	-	6,121
Balance at 30 June 2017	253	17,008	1,303	(1,647)	16,917

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. These financial statements conform to 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.

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 26 'Share-based Payment' – Sections 26.18(b), 26.18 and 26.23
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

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

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 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.

Accounting policies (continued)

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.

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.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held on call with banks.

Financial liabilities and equity

(c) Trade and other payables

Trade payables are recognised at their fair value.

(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.

Accounting policies (continued)

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.

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; and
- Retained losses.

2 Critical accounting estimates and judgements

The preparation of these financial statements requires the Directors to make judgements and estimates that affect the reported amounts of assets and liabilities at each reporting date. 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 2017 is £43,000 (2016: £199,000) with a capital contribution in a subsidiary company of £388,000 (2016: £433,000). 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 £490,000 (2016: £519,000).

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
Cost and net book value	
At 1 July 2015	5,244
Fair value of options exercised in the year	(10)
Share-based payment charge	433
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At 30 June 2016	5,667
Fair value of options exercised in the year	(319)
Fair value of options lapsed in the year	(39)
Share-based payment charge	388
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At 30 June 2017	5,697

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

	2017 £000	2016 £000
Amounts due from group undertakings	7,969	4,896
Prepayments and accrued income	18	17
Other receivables	17	10
	8,004	4,923

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

	2017 £000	2016 £000
Current		
Trade payables	85	42
Accruals and deferred income	40	121
	125	163

8 Share capital

The authorised share capital of the Company is 25,336,327 ordinary shares of 1p each.

	Number of shares issued and fully paid	Share capital £000	Share premium £000
At 1 July 2015	22,144,266	221	10,985
Issue of share capital	14,020	1	6
At 30 June 2016	22,158,286	222	10,991
Issue of share capital	3,178,041	31	6,257
Issue costs		-	(240)
At 30 June 2017	25,336,327	253	17,008

On 9 February 2017, 7 April 2017, 30 May 2017, 1 June 2017, 6 June 2017, 20 June 2017 and 30 June 2017, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on these dates was 511,374.

On 12 June 2017 the Company issued 2,666,667 1p ordinary shares pursuant to a placing of its shares on AIM, to build on UK success achieved to date, target expansion in Canada and North America from the Group's existing relationship and to capitalise on the opportunity in Europe.

9 Related party transactions

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

At 30 June 2017, directors' emoluments of £1,000 were outstanding to Sir Terry Leahy (2016: £1,000), who is paid in arrears.

10 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 17 for information on percentage shareholdings.