

Eagle Eye Solutions Group plc

**Strategic and Directors' report,
consolidated and company financial
statements**

Registered number 8892109

30 June 2019



Eagle Eye Solutions Group plc
Consolidated Financial Statements for the year ended 30 June 2019

Company information

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Secretary	Lucy Sharman-Munday
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Strategic report

Chairman's Statement

I am delighted to report on a year of significant progress, the Group's AIR platform revenue grew 32% whilst at the same time the Group broke through to EBITDA profitability, generated positive net cashflow in the second half of the year and expanded its international reach and capabilities. Our successes in the year have been achieved on many fronts, including winning Waitrose & Partners as a client, expanding our contracts with Loblaw and other Tier 1 clients, enhancing the capabilities of the AIR platform, and making successful inroads into new geographies and sectors. Against this backdrop, management's focus on running the business "Better, Simpler, Cheaper" has seen the business exceed expectations at the profit level, creating a strengthened financial and operational platform as we move into the new financial year.

The most impressive and strategically important accomplishment in the year was the successful transition of our UK platforms onto the Google Cloud Platform ("GCP") and the completion of our global transition post Year end. This is the largest global GCP migration conducted by Rackspace, our technology partner, and the smooth execution of the project is testament to the skill of our operations and development teams. We are now in the advantageous position of being able to benefit from cutting edge technology, thus enabling us to scale and grow internationally, without considerable upfront costs.

Financial Results

The Group's achievements have delivered another year of strong growth. Group revenue grew 23% to £16.9m (FY18: £13.8m), underpinned by the strong revenue growth from the AIR platform which grew by 32%, to represent 94% (FY18: 88%) of total revenue for the Year. The growth in revenue, combined with the challenge we set ourselves this year of running the business 'Better, Simpler, Cheaper' has resulted in the breakthrough to an EBITDA profit of £0.7m (FY18: loss of £(2.0)m) with loss before interest and tax falling to £2.5m (FY18: £5.1m). EBITDA is a key performance measure for the Group and is reconciled to the GAAP measure of loss before taxation in note 23. This EBITDA profit was delivered ahead of the Board's expectations, due to careful management of costs against our opportunities. This performance helped deliver better than expected cash consumption during the Year, resulting in a £0.6m reduction in the Group's net debt position in the second half of the Year to £(1.2)m as at 30 June 2019 (31 December 2018: net debt of £(1.8)m, 30 June 2018: net cash of £0.4m). The Board believes that the Group's funding position is comfortable and sufficient headroom remains within the Group's £5m banking facility to support our existing growth plans.

As a Board, we are aware and discuss the implications of the current uncertainty with regards to Brexit. That said, we are fortunate that the implications for our business are less than those of a physical goods company. The amount of business performed by the Group in Europe is currently not material and the number of employees impacted is manageable. We continue to monitor as events unfold further.

Bringing eCommerce tools to bricks and mortar retail

We are confident we have a considerable opportunity ahead of us. Non-digital businesses of any type need to acquire the capabilities to deliver data driven, real time, personalised messages and offers to their customers fast, because, if they are unable to do so, they are at a significant disadvantage to their online competitors. The AIR platform provides any retailer with a physical capability to bridge online to offline through coupons, loyalty, apps, subscriptions and gift services. In the continued tough retail climate, the ability of the AIR platform to attract, interact with and retain consumers will be game-changing for non-digital retailers remaining relevant and competitive and we have seen several indications throughout the Year that the market is now coming towards us. Our existing clients continue to expand their use of the AIR platform, in line with our 'Win, Transact and Deepen' strategy, our level of churn remains very low and our base of recurring revenue is increasing.

We have entered the new financial year with an exciting sales pipeline, as we continue to create opportunities across a greater number of sectors and to enter new geographies. The number of advanced customer discussions in our new territories, Australia and the US, are particularly encouraging and reinforces our conviction that there is demand for the platform across a breadth of markets.

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Summary

I would like to take this opportunity to once again thank all our employees, customers, partners and shareholders for their continued support throughout the Year and I look forward to achieving further successes together in the future.

We enter the new financial year in a stronger position than ever before. We believe the market is embracing the move to digital and as a result our pipeline is consistently broadening and deepening. We have all the characteristics you would expect from a well-run SaaS business: high levels of recurring revenues, strong margins, low levels of customer churn and the ability to consistently deepen our customer engagements through product innovation. The breakthrough into EBITDA profitability provides us with a strengthened financial position and we enter the new year with confidence.

Malcolm Wall, Non-Executive Chairman

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CEO's Statement

As outlined by our Chairman, this has been a year of achievements. Of note in the Year was our move to the Google Cloud, a milestone feat achieved with no disruption to the business, continued progress with key customers, new customer wins, our growing traction in Australia and the new partnership with News America Marketing, which opens up the North American market. Importantly, the quality of conversations we are having with new prospects is improving, through both increased market awareness and refocused digital marketing campaigns driving inbound opportunities. We once again added a leading retailer to our growing client roster, Waitrose & Partners (joining John Lewis & Partners, a client since May 2017), and look forward to working closely with them on their digital customer strategy in the years ahead.

We remain convinced that these successes are just the beginning for Eagle Eye. Our opportunity is significant, and we have proven the Eagle Eye AIR Platform is relevant across multiple geographies and industries.

Market opportunity

The AIR platform provides retailers with the ability to digitally connect with their customers, whether in an online or offline environment. Research shows that 90% of sales are still completed in a store¹. Our platform allows businesses with non-digital stores to use the tools of the e-commerce world. Through AIR, retailers and brands can deliver personalised offers to customers, in order to drive visits and increase spend per visit, whilst measuring the effect and returns on marketing performance and sales. The results of this measurement ultimately provide valuable insight into customers' shopping behaviours, enabling further improved marketing initiatives.

Mary Meeker's well respected annual 'Internet Trends' report this year highlighted the rapid growth in mobile advertising spend. The report illustrates the significant shift from press or paper-based advertising towards mobile advertising. Within just eight years, the proportion of global advertising spend on mobile grew from 0.5% in 2010 to 33% in 2018², which is forecast to grow to \$166bn in 2019³. We believe there is pent up demand in the world of promotions, which continues to be predominantly paper based which will follow the same trajectory.

There is significant opportunity in each of the markets we operate in:

- In the promotions market, 302 billion coupons were distributed in 2017 with digital coupon distribution increasing within that by 38%⁴;
- The global loyalty management market was valued at USD 2.6 billion in 2018 and is expected to reach a value of USD 9.3 billion by 2024⁵,
- The global gift cards market is forecast to grow from USD 307 billion in 2016 to USD 698 billion by 2024⁶.

This data illustrates the addressable market for Eagle Eye is significant, and therefore even relatively small increases in market share would be transformational for our business.

Platform

The continued success of our best-in-class digital marketing platform is evidenced by our extensive client base and their loyalty to Eagle Eye. We have enhanced the capability of the Eagle Eye AIR platform which can now deliver over 3,000 transactions per second, which is necessary to meet the needs of Tier 1 clients. Additionally, our ability to provide many products based on a single platform sets us apart from many competitors.

We have never been more confident that the opportunity and market is real and that we have the right platform to succeed. Our focus is, therefore, on ensuring we have the structure and approach across the business to ensure we can execute, whilst continuing to explore new territories and sectors.

¹ 90% of global retail sales are still completed in stores; this includes reservations or purchases made online but fulfilled from a physical retail location.

² Internet trends 2019, Mary Meeker

³ WARC's latest Global Ad Trends report

⁴ Inmar's 2018 Promotion Trends Analysis Highlights Surge in Shopper Demand and Offer Availability, 6 February

⁵ Mordor Intelligence - Global Loyalty Management Market - Growth, Trends and Forecasts (2019 - 2024)

⁶ Persistence Market Research (2017) Global Gift Cards Market, November 2017

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Our growth strategy has four main elements

I am pleased to report the following progress across the four main elements of our growth strategy.

1. "Win, Transact and Deepen"

Our customer strategy is to:

- 'Win': bring more customers on to the Eagle Eye AIR platform;
- 'Transact': drive higher redemption and interaction volumes through the platform; and
- 'Deepen': encourage our customers to adopt more of our product portfolio as they become more adept at digital marketing.

With our low rate of customer churn, just 0.8% in the Year, each new customer win significantly adds to our growth prospects. Over the last four years we have seen revenue from our largest revenue-generating customers increase by a multiple of three and a half times. Currently, our top 20 customers take on average two of our five core services, providing significant scope for expansion.

Win

In January 2019 we were excited to announce another new blue-chip client win. We signed a new five-year contract with Waitrose & Partners, who will use the AIR platform to improve their digital marketing proposition, extending our existing relationship with John Lewis & Partners.

We have been pleased with the improved win rate through the year, including securing initial customer engagements which in time should translate into multi-year contracts. During the Year we added new brands and retailers to the Eagle Eye AIR platform. As of 30 June 2019, Eagle Eye had 327 customers and brands on the AIR platform, including 103 FMCG brands, up from 294 customers including 85 FMCG brands at the end of FY18. Other new customers won in the year included Dobbies, Lyle & Scott, Unruly and a number of premium F&B brands.

Transact

The technical strength of the AIR platform and its growing consumer reach can be seen in the strong growth in redemptions and interactions ('AIR volumes') in the Year. These increased 110% in the Year, to 847m (FY18: 404m), primarily driven by the deepening of our relationships with Tier 1 retailers, including the continued expansion of Loblaws PC Optimum loyalty programme which now has 18m members. The huge success of the Digital Wallet has driven loyalty transactions in the year, which is positive for overall revenue but carries a lower revenue per interaction.

Brands and Audience Partners

As well as being utilised directly by our retail customers, the AIR platform is also used by brands to run campaigns across our Merchant and Audience partner network. We saw a step-up during the Year, both in terms of the number of consumers now part of our network, and the number and average value of the brand promotions run across our platform. As a result, the revenue from brands and audience partners has continued to grow, generating revenue of £0.7m in the year (FY18: £0.5m). We believe this will be a significant additional layer of revenue in future years and a number of initiatives are underway to explore this opportunity.

Clients regularly running brand campaigns include Diageo, Heineken, AB InBev, Britvic and Pernod Ricard, who use innovative and creative channels to deliver brand activation coupon campaigns to consumers by connecting to the Eagle Eye network. New channels used during the Year included chatbots and mobile app-based games; brand-specific campaigns promoted Beck's Blue, Bulmers, Gordon's Gin and the relaunch of Carlsberg Pilsner. This year we ran our first multi-merchant drinks brand campaigns into independent pubs which drives higher campaign value as consumers have a wider range of merchants to redeem offers whilst providing brands with greater consumer insights.

The other element of our 'Transact' strategy are our Audience partners who include affiliate networks and membership groups. These partners add value to our merchants by promoting deals and discounts to their members and through their website traffic. New partners signed in the year included Saga (1.1m members), Days Out With The Kids (17m users a year) and Blue Light Card (1.9m members). These new partners join existing household names in our network such as Groupon, Vouchercloud and the RAC. Our Audience partners not only expand the reach for retailers and brands to run campaigns but also represent a wide range of demographics and interests including students, the over 50s, motorists and those working in the emergency services and Armed Forces.

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Deepen

During the Year, like-for-like revenue from existing clients grew by 18% against FY18. The key driver of this is the Tier 1 sector where we have seen growth from both the use of the platform for increased promotional activity and the addition of new services. 65% of the Group's top 20 customers increased their use of the Eagle Eye AIR platform in the year demonstrating high engagement levels.

Most notably, Sarah R. Davis, President, Loblaw Companies Limited, our largest client, said in their Q1 2019 Earnings call: "We have seen an incredible shift in our ability to use the data from across our organization to provide better consumer offers, make better promotional decisions and more efficiently manage our supply chain network. We are really starting to get some traction."

As part of our Deepen strategy, retaining clients on the platform is as critical as new client wins. We continue to maintain an exceptionally low level of customer churn rate by value of 0.8% (FY18: 1.7%). We are pleased to have renewed many of our longstanding clients in the F&B, Retail and Leisure sectors, with contracts ranging from one to three years in length.

2. Innovation

Innovation lies at the heart of Eagle Eye and with a focus on enabling our clients to drive acquisition and increase frequency and size of purchase.

The Digital Wallet

I have been delighted to see our Digital Wallet capability, one of our most significant pieces of development work in recent years, move out of development, through launch and now into sales. Following its successful launch with Loblaw, this innovation has been adopted by ten additional clients to provide a more personalised experience and it has a broader appeal across our wider client base.

The Digital Wallet has two key benefits. Firstly, it groups all the things that a consumer can use during a transaction (coupons, points, accounts, gift vouchers) and allows the consumer to access them through any digital channel. Secondly it provides a consistent and real time stream of data about a consumer's actions, making it much simpler for retailers to query, analyse and decide on the next message or offer for that individual consumer.

App

Significant improvements have been made to the App capabilities during the Year; chiefly by incorporating more of the core AIR platform features. This enables retailers using the branded app to offer richer content and a smoother end-user experience for their consumers.

The App business continues to grow, with 3.4 million users now registered across 23 apps, as of end of June 2019. This represents 40% growth in the Year. We are seeing tremendous results from customer campaigns with mobile redemption levels reaching as high as 97% in the F&B sector. This demonstrates that mobile is a powerful engagement tool and enables our customers to quickly and easily push out, test and gather reports on campaigns.

We now also offer multilingual capabilities as we have deployed Apps across Europe in Austria, Belgium, Czech Republic, France and Hungary.

Gift

Our Gift business accounted for 5% of our revenue during the Year, growing 35% on the prior year. During the Year, we have significantly enhanced our branded microsite offering to help our customers grow their digital gift sales: first by launching a brand new business-to-business microsite and then by enabling a more personalised consumer experience and introducing mobile payment on our business-to-consumer microsites. The Gift business now has 39 brands on the platform, including JD Sports, Greggs, Browns, Theatre Tokens, M & Co and Pink the Shirtmaker.

3. International growth

A year ago, we highlighted our intention to enter the Australian market, where we saw strong ties with the UK retail market and believed there would be a significant opportunity for the AIR platform. We are delighted to report that our entry into this region has been extremely successful, as a result of a combination of local sales investment and UK support. We now have several revenue-generating customer engagements, which we are confident will progress to multi-year contracts in the coming year, and a growing pipeline of additional opportunities.

North America is a more mature market for paper couponing and promotions, and we believe that it will ultimately be one of the largest digital promotions markets in the world. In May 2019, we were delighted to announce a partnership with News America Marketing ("NAM"), the premier marketing services company in the US and Canada to deliver next-generation retailer and brand marketing solutions. On announcing the partnership, Martin Garofalo, CEO of News America Marketing described the partnership as a milestone in executing on NAM's strategy to deliver open-platform digital innovation across its network, adding, "The AIR platform provides superior infrastructure and features for brands and retailers to understand and communicate with their customers. We believe that Eagle Eye is a best-in-class solution that, combined with NAM's core capabilities, will create significant value for all players."

The partnership continues to open up new conversations and support our growth in the region.

4. "Better, Simpler, Cheaper"

This time last year we set ourselves the challenge of running our business "Better, Simpler and Cheaper". While investing in innovation and growing the business, we would simultaneously look for inherent productivity and efficiencies coming from the scale of what we do. The success of this ethos and the wholehearted manner with which it has been adopted across the organisation, is demonstrated by our breakthrough to EBITDA profitability, ahead of our initial expectations.

For the year ahead, we will be building on these successes and implementing the agile methodology, not only within software development, but across the business, providing us with the means to be more flexible and responsive to changing customer and market demands across multiple geographies.

Google Cloud

We have made excellent progress in our transition to the Google Cloud Platform, our lead 'Better, Simpler, Cheaper' initiative.

'Better' because of Google's superior technology, giving Eagle Eye the benefit of increased performance, better resilience and additional layers of security. We have already seen huge leaps in performance. For example, database backups are now 74 times faster and we can deploy code to all our servers 144 times faster. Looking forward, it allows us to use the tools and technologies provided by Google, such as Artificial Intelligence, logging and monitoring, to aid in the innovation of the AIR platform.

'Simpler' because it consolidates our technology estate across the globe. We will have a single set of build scripts, code releases and deployment methods for all our Google Cloud platforms which will allow efficient management of the platform as we scale.

'Cheaper' because the model allows us to scale on demand; rather than having a datacentre 'on' at all times, we only pay for what we use. Geographic expansion can be achieved faster and with less upfront costs, this being a key driver for change as we grow internationally.

A successful move of our UK test environment in February 2019 was followed in June 2019 by the smooth transition of the UK production environment to GCP. We started the US data centre transition in FY19 and completed the migration to plan in August 2019 post Year end. Associated operating efficiencies and technology enhancements will continue in FY20 as well as further international roll out linked to new contract wins.

People

We were delighted to welcome Robert Senior as a Non-executive Director during the Year. Previously Worldwide CEO of Saatchi & Saatchi, Robert brings valuable and relevant experience to our Board.

In the business, our average headcount has increased in the Year to 138, mainly reflecting recruitment to service new customers won in the Year. A notable hire was Jonathan Reeve whose specialism lies in retail and loyalty. He joined to head up our new Australian and New Zealand operations; we are pleased to welcome him to the Eagle Eye family.

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We introduced and successfully implemented the concept of “Dev 2.0” that re-organised our development team around Agile methodology to provide shared consciousness and deliver through empowered execution. Going forward we will be applying these principles more broadly across the business as we build on the success of our “Better, Simpler, Cheaper” initiative.

We have created a “Purple” place to work where people believe in our mission, have pride in their contribution and satisfaction in our achievements. Our culture is important to us and we continue to re-emphasise and reward our employees based on demonstrating “Purple” behaviour.

Outlook

I am delighted to report on a year of continued growth; in revenues, capabilities and market reach, delivering a breakthrough into EBITDA profitability. However, we believe that we are just at the start of our journey. Our customers see the Eagle Eye AIR platform as key to competing in today's digital retail environment and we are confident that the drive to digital is only going to increase in the years ahead.

Our strategic objectives for the next year are to continue the expansion of our existing customer relationships, secure additional customers in our core geographies and convert the rapidly growing number of international opportunities. We remain focused on delivering our ‘Better, Simpler, Cheaper’ initiative as a key driver towards an increase in EBITDA profitability, building on the efficiencies realised during the Year.

We have started the current financial year positively and the Group's current trading is in line with the Board's expectations. Our funding position is comfortable and sufficient headroom remains with the Group's £5m banking facility to support our existing growth plans.

We have also entered the current financial year with a rapidly expanding pipeline of both UK and international opportunities and the enhanced ability to service them through our powerful and scalable new Google Cloud environment. Our expanded reach, increasing base of recurring revenues, blue chip customers and strengthened financial and operational position means that we look to the future with confidence.

Tim Mason, Chief Executive Officer

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Financial review

Adoption of IFRS 15 and IFRS 16

These are the first full year results presented by the Group following the adoption of IFRS 15 (Revenue from Contracts with Customers) and IFRS 16 (Leases), which has resulted in the restatement of the comparative information for the financial year ended 30 June 2018.

Under IFRS 15, a SaaS business will typically recognise revenue (including implementation revenue) over time. However, reflecting the agile methodology used to develop and implement solutions for our Tier 1 clients, revenue recognised in each period from these clients is broadly unchanged. Revenue from Tier 1 clients represented 66% of revenue in FY19 (FY18: 56%). For the balance of revenue which comes from non-Tier 1 clients, implementation revenue is now recognised over the period the service is live, rather than as the implementation services are performed. Therefore, during the period of implementation, which is typically between two and six months for non-Tier 1 clients, no revenue will be recognised, although directly attributable associated costs are also spread over the contract period, matching revenue and costs.

This pushes revenue into future periods and resulted in a reduction in reported revenue of £0.6m for FY18. In addition, the assessment of whether the Group is an agent or a principal is different under IFRS 15 and, therefore, revenue and costs of sales (associated with one specific piece of work in FY18) are reduced by £0.4m for FY18. Costs capitalised under IFRS 15 reduce operating costs by £0.3m for FY18.

The adoption of IFRS 16 sees lease costs recognised as depreciation (of a lease asset in the statement of financial position) and interest (reflecting the time value of money) over the period of the lease, instead of within adjusted operating expenses. Reported operating costs reduce by £0.3m in FY18 as a result of the adoption of IFRS 16.

There is no impact on cash flow as a result of adoption of either of these standards, although there are changes to the classifications of some cash flows within the statement of cash flows. Net assets reduce by £0.6m at 30 June 2018.

These adjustments are reflected in the narrative below. Reconciliations are provided in note 22 to the consolidated financial statements.

Key Performance Indicators

Financial	2019 £000	2018 (restated) ⁽⁴⁾ £000	2018
			(as previously stated) £000
Total revenue	16,929	13,781	14,755
AIR revenue	15,927	12,071	13,064
Adjusted EBITDA ⁽¹⁾	714	(2,005)	(2,014)
Operating loss before interest and tax	(2,531)	(5,139)	(4,634)
Net (debt)/cash ⁽²⁾	(1,237)	372	372
Cash and cash equivalents	1,363	1,472	1,472
Short-term borrowings	(2,600)	(1,100)	(1,100)
Non-financial	2019	2018	
AIR volumes	847.2m	403.7m	
Messaging volumes	32.9m	56.1m	
% of subscription transaction revenue	71%	77%	
Customers and brands on the platforms ⁽³⁾	324	294	
Customer churn by value ⁽³⁾	0.8%	1.7%	

⁽¹⁾ Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit and is reconciled to the GAAP measure of loss before taxation in note 23.

⁽²⁾ Net (debt)/cash is Cash and cash equivalents less short-term borrowings.

⁽³⁾ See the Win and Deepen paragraphs of the CEO's Statement for commentary on number of customers and brands on the platforms and customer churn respectively

⁽⁴⁾ See note 22 for the reconciliation between key performance indicators for the year ended 30 June 2018 as previously stated and as restated.

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Group results

Revenue

Revenue growth for the Group was 23% for the Year (FY18: 24%), with revenue increasing to £16.9m (FY18: £13.8m) driven by a 32% growth in AIR revenue to £15.9m (FY18: £12.1m). Revenue growth accelerated during the Year, with H2 19 revenue accounting for £8.9m (H1 19: £8.0m), representing growth of 11% on H1 19.

A key element of this growth has been a 23% increase in recurring licence and transaction revenue on the AIR platform to £11.0m (FY18: £9.0m), aided specifically by the full year effect of Loblaw's successfully launching their PC Optimum programme in February 2018 and increased transactional revenue from existing and new customers.

Overall, revenue from the AIR platform now represents 94% of total revenue, £15.9m (FY18: 88%, £12.1m). This increase was largely as a result of the Group's success with deepening our existing Tier 1 grocer clients, in particular from continued development work for Loblaw as they further transform themselves into a customer-centric company driven by data. This was strongly supported by new business wins across all our sectors including initial projects in Australia and New Zealand, and deepening relationships with existing clients across other sectors, thus increasing redemption volumes.

Redemption and interaction volumes, a key measure of usage of the AIR platform, grew by 110% year-on-year to 847.2m for the Year (FY18: 403.7m), driven by the full-year impact of Loblaw's PC Optimum launch and increased volumes through existing F&B and other retail clients, in part driven by a 40% increase in Brand and Audience partner revenue. The growth in volumes associated with our new loyalty product originally built for Loblaw and now adopted by 10 other clients meant that as expected the overall blended revenue per transaction was lower in FY19.

Overall, £12.0m of revenue generated from subscription fees and transactions over the network represented 71% of total revenue (FY18: 77%, £10.6m). The balance, £4.9m, relates to implementation fees for new customers and new services and represents 29% of total revenue (FY18: 23%, £3.2m). The increase in implementation fees primarily reflects the deepening of our relationship with Loblaw, where we continue to help them to drive innovative new features to their loyalty programme, and new Tier 1 wins with Waitrose and other initial customer engagements, helping to drive a 43% increase in Tier 1 revenue to £11.1m (FY18: £7.7m).

However, revenue growth was held back by a 42% reduction in SMS messaging non-core revenue as expected following the loss of a client through a merger event. Overall, SMS messaging is a small revenue stream, which now accounts for only 6% of Group revenue, £1.0m (FY18: 13%, £1.7m). As growth is focussed on the higher margin AIR business, SMS is expected to continue to represent a decreasing proportion of the business in future years.

Gross profit

Gross profit grew 28% to £15.8m (FY18: £12.3m) and the gross margin increased by a further 4ppts to 93% (FY18: 89%). This improvement in margin reflects the increase in AIR platform gross margin to 97% (FY18: 96%) due to the higher proportion of Tier 1 revenue, which is not subject to revenue share agreements, and the lessening impact of the lower margin SMS messaging business which now accounts for only 2% of gross profit (FY18: 6%).

Other costs of sales include the cost of sending SMS messages, revenue share agreements and outsourced, bespoke development work. All internal resource costs are recognised within operating costs, net of capitalised development and contract costs.

Adjusted operating expenses

Despite revenue growth of 23%, growth in adjusted operating expenses has been limited to just 5% at £15.0m (FY18: £14.3m). This cost represents sales and marketing, product development (net of capitalised costs), operational IT, general and administration costs. The increase reflects higher infrastructure costs of £4.1m (FY18: £3.0m) reflecting client funded data storage costs and the initial costs of our transition to Google Cloud (which is expected to generate like-for-like infrastructure cost savings in FY20), primarily offset by a £0.2m increase in capitalised product development costs and a £0.2m reduction in marketing spend as we have been more targeted with our campaign activity. Although average headcount has increased to 138 (FY18: 130) staff costs have been maintained at £11.1m (FY18: £11.1m) primarily reflecting the prior year investment in people and staff mix. Net staff costs and infrastructure costs in aggregate represent 84% (FY18: 83%) of the Group's operating costs.

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Within staff costs, gross expenditure on product development remained constant at £4.0m (FY18: £4.1m), but with increased focus on packaged product development over one-off bespoke work for clients, capitalised product development costs were £2.2m (FY18: £2.0m), whilst amortisation of capitalised development costs was £1.7m (FY18: £1.3m). Contract costs, recognised as assets under IFRS 15, were £0.4m (FY18: £0.3m) and amortisation of contract costs was £0.3m (FY18: £0.3m).

Adjusted EBITDA

The growth in revenue and margin, combined with successfully making progress towards meeting the challenge we have set ourselves of running the business 'Better, Simpler, Cheaper' has resulted in the breakthrough to an adjusted EBITDA profit of £0.7m (FY18: loss of £(2.0)m) for the Year. 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 operating loss before interest and tax was £2.5m (FY18: £5.1m) reflecting the EBITDA profit achieved in the year and a decrease in the non-cash share-based payment charge to £0.8m (FY18: £1.2m) reflecting vesting of options in FY18, offset by increased depreciation and amortisation costs.

EPS and dividend

Finance expense increased to £0.3m (FY18: £0.1m) reflecting planned increased utilisation of the Group's revolving loan facility.

Following receipt of a £0.5m research and development (R&D) tax credit (FY18: £0.4m) and due to historic success in R&D tax claims, the Group has also recognised an additional £0.4m, the receipt of which we expect will follow submission of the Group's FY19 tax returns. As such, reported basic and diluted loss per share improved by 46% to (9.27)p (FY18: loss per share 17.06p).

The Board does not feel it appropriate at this time to commence paying dividends and continues to invest in its growth strategy.

Group Statement of Financial Position

The Group had net assets of £4.3m at 30 June 2019 (30 June 2018: £5.8m), including capitalised intellectual property of £3.3m (30 June 2018: £2.8m). The movement in net assets reflects the loss before tax made in the Year.

Cashflow and net cash

The improved EBITDA performance and careful working capital management resulted in a £0.6m cash inflow in H2 2019, resulting in an overall net cash outflow for the year of £1.6m (FY18: outflow of £3.4m). The Group ended the Year with net debt of £1.2m (30 June 2018: net cash of £0.4m) being better than the Board's expectations. The main components to the net cash outflow were the operating cash inflow of £1.6m (FY18: outflow of £(0.8)m), reflecting the EBITDA profit of £0.7m (FY18: loss of £(2.0)m), a working capital inflow of £0.4m (FY18: £0.8m) and the research and development tax receipt of £0.5m (FY18: £0.4m), offset by capital investment in the AIR platform of £2.2m (FY18: £2.0m), payments in respect of leases £0.3m (FY18: £0.3m) and interest due on the Group's revolving credit facility with Barclays £0.2m (FY18: £22,000).

Banking facility

During the Year the Group extended the term of its £5.0m revolving loan facility with Barclays Bank PLC to expire on 31 May 2021. The Group's gross cash of £1.4m (FY18: £1.3m) and the undrawn facility of £2.4m (FY18: £3.9m) gives the Group £3.8m of headroom, which the Directors believe is sufficient to support the Group's existing growth plans.

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Principal 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 continually 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 in and continues to enter 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, investment in defining and refining the product roadmap and the use of the agile development methodology.

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.

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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.

Infrastructure risk

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.

Reliance on key suppliers

The Group is dependent on a small number of key suppliers for the hosting of its IT infrastructure and delivery of messaging services. A disruptive event affecting any one of these suppliers could mean that the Group is unable 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. To mitigate against this risk, the Group has service level agreements in place with these key suppliers and has multiple suppliers and sites, including a live disaster recovery site, to ensure continuity of service to its 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 or using a Digital Wallet. 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 and SOC 1 compliant 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 and has robust business continuity procedures in place.

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Dependence on key customers and sectors

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.

The Group is also focussed on the Grocery, Food and Beverage and Retail sectors. Although a downturn in each of these sectors can result in increased demand for the Group's services, as discounts and offers are used to encourage footfall, a long term downturn could have a negative impact on the Group's growth prospects and revenues. This risk is mitigated by entry into additional territories and refinement of the Group's products for entry into new sectors.

Employee recruitment and retention

The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. Finding and hiring top talent can be costly and might require the Group to grant significant equity awards or other incentives, 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 employees, 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 in administrative and operational support functions. If the Group is unable to hire, train and retain such talent in a timely manner an undue burden could be placed on existing employees, 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, which may have a detrimental effect upon the overall 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, 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. This risk is mitigated for the Group by the Compliance Manager who is responsible for ensuring that all applicable laws and regulations related to the digital services provided by the Group are understood and addressed.

Exit of UK from European Union

The UK has voted in an advisory referendum to leave the European Union (commonly referred to as "Brexit"). Although negotiations between the UK and the European Union reached a conclusion, the UK parliament has yet to ratify any deal to leave the European Union and, as a result, the impact of Brexit 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 final exit terms achieved, 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 no direct impact is expected to the Group's relationship with its customers and key suppliers, it is not possible at this point in time to predict fully the effects of an exit of the UK 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 the Group's international operations grow, exchange rate fluctuations could have a material 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.

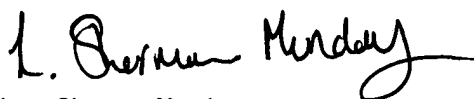
Employee involvement

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

16 September 2019

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 Dock10 Limited and is also a non executive director of Image Nation LLC.

Tim Mason – Chief Executive Officer

Tim has been CEO of Eagle Eye since September 2016, joining as Chairman in January 2016. He has over 30 years' experience within the grocery and retail industries, with a strong background in strategic marketing and customer loyalty. Previously Tim was a managing director at Sun Capital Partners and 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. Tim spearheaded Tesco's bid to crack America and was responsible for the expansion and operations of 150 stores US-wide. Throughout his career at Tesco he was renowned for being in touch with customers and was instrumental in the creation of some of Tesco's most successful marketing initiatives (Clubcard, Express, Personal Finance and Tesco.com). He is also 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 Platform D-Risk, 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. He is a director of 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.

Robert Senior – Non Executive Director – B

Robert joined the Group as a non-executive director in 2018. After studying History and Politics at Durham University he began a career in advertising that has spanned 30 years. In 1998, Robert founded Fallon London with four partners and together they grew the business to a 190 person strong multi award-winning agency, named Campaign Magazine's agency of the year in 2006 and 2007. The partners sold Fallon London to the Publicis Groupe in 2006, prompting Robert's move to its sibling agency, Saatchi & Saatchi, where he held positions as UK CEO, CEO of EMEA and worldwide CEO. He also chaired the Worldwide Creative Board from 2011. In January 2017, Robert announced his departure from Saatchi & Saatchi to 'step into the void of discovery' and is currently enjoying its variety. Robert has been a guest lecturer at the London Business School and the London School of Economics and is currently a guest lecturer at Durham University and Loughborough University, as well as being part of the Speakers for Schools programme. Robert sits on the Association of Tennis Professionals (ATP) Advisory Board and the V&A Advisory Board.

Board Committee Membership

A – Audit Committee

B - Remuneration Committee

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Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2019.

Principal activities, business review and future developments

The principal activity of the Group is enabling businesses to create digital connections enabling personalised real-time marketing, through the provision of its marketing technology software as a service solution.

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 and Melbourne, Australia.

Directors

Tim Mason
Steve Rothwell
Lucy Sharman-Munday
Bill Currie
Sir Terry Leahy
Robert Senior (appointed 16 November 2018)
Malcolm Wall

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.

The market price of the Company's shares at the end of the financial year was £1.87 and the range of the market price during the year was between £0.97 and £1.94.

Substantial Shareholdings

At 13 September 2019, 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 *	3,413,322	13.40
Sir Terry Leahy *	2,420,970	9.50
Andrew Sutcliffe	2,032,158	7.97
Cavendish Asset Management Limited	1,831,001	7.19
Christopher Gorell Barnes	1,531,866	6.01
Steve Rothwell	1,511,672	5.93
Julian Reiter	1,342,390	5.27
Hargreave Hale Limited	915,667	3.59
Herald Investments	877,318	3.44
Timothy Miller	872,975	3.43
Edward Pippin	855,000	3.36

*includes shares held by family members

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 17 of the consolidated financial statements. The key non-financial risks that the Group faces are set out on pages 11 to 13 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 21 of the consolidated financial statements.

Dividends

The directors do not recommend the payment of a dividend (2018: £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 14 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

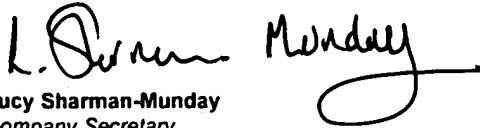
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have 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 2019 and have indicated their willingness to continue in office.

By order of the board

The image shows a handwritten signature in black ink. The signature is written in a cursive style, with the first part appearing to be 'L. Sharman' and the second part 'Munday'. The signature is positioned above the printed name and title of the signatory.

Lucy Sharman-Munday
Company Secretary

5 New Street Square
London
EC4A 3TW

16 September 2019

Corporate Governance Statement

Principles of Corporate Governance

The Directors recognise the importance of sound corporate governance and confirm that 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). The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. *The Directors have explained how each principle is applied below. The Directors consider that the Group does not depart from any of the principles of the QCA Code.*

Establish a strategy and business model which promote long-term value for shareholders

The Group's strategy is reviewed by the Board on an annual basis at an offsite strategy event. The Group's strategy is to drive long-term value for shareholders from:

- Continued development of the Group's product offering;
- Revenue growth from both new and existing accounts;
- Realising opportunities in relevant new sectors and geographies; and
- Scaling the cost base efficiently with the objective of being EBITDA positive and then cash generative in line with management expectations.

Seek to understand and meet shareholder needs and expectations

In addition to shareholders being welcomed and provided the opportunity to speak to the Directors at the Annual General Meeting, the Group has a series of events designed to educate and listen to shareholders:

- Private investor sessions held twice per year for significant shareholders;
- Roadshows held twice per year for institutional investors;
- Annual event held covering general developments in the market and our business; and
- Equity analyst and sell-side briefings held throughout the year for broader investor insight.

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Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group's key stakeholders are its shareholders (see "Seek to understand and meet shareholder needs and expectations" above), employees, customers and suppliers. Each has their own communication and interaction strategy:

- **Employees:** The Group operates a weekly video-conference "town hall" for all employees that provides a business update and a forum to celebrate success and for employees to ask questions. In addition, an annual 'Company Day' is held and attended by all employees in person, providing strategic direction and Company objectives for the year ahead, a look back at progress and performance in the year and a recognition of those employees who have best demonstrated the Group's values. As part of the Group's values, we encourage employees to "get involved". The Group's clubs and societies such as netball, golf, theatre and hackathons all provide opportunities to do good and benefit society. The Group also has a charity committee which is responsible for organising events and identifying opportunities where the Group and its employees can assist those in need. The Group has appointed mental health first aiders who are responsible for encouraging employee wellbeing.
- **Customers:** All customer accounts have an assigned account management team who meet regularly with their respective clients to understand their business needs and how the Group can assist them in meeting their objectives. The Group regularly issues an NPS (Net Promoter Score) survey and a working committee ensures that key take outs from the survey are acted upon. The Group also holds an annual event that includes insight on the sector, an update from customers using the Group's technology, an update on the Group's product roadmap and an opportunity for clients to speak to each other and to members of the Group's executive leadership team.
- **Suppliers:** The Group's largest suppliers are for hosting and recruitment services. The relationships for suppliers in these categories are owned by the Chief Operating Officer/Chief Technology Officer and HR Director respectively. It is their role to meet the key suppliers on a timely basis to communicate the Group's business needs and the supplier's performance against expectations.

Embed effective risk management, considering both opportunities and threats, throughout the organisation

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;
- 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;
- The Corporate risk register is owned by the executive leadership team and is reviewed by the Board on a quarterly basis. The risk register considers the impact, probability, controls in place and any mitigating factors to be considered for each risk. Where applicable, it also sets out the risk treatment plan;
- In addition, the key risks are, where applicable, reflected in the Group's ISO 27001 statement of applicability which is monitored by the Group's Security Management Team and Information Security Committee; and
- Employees are encouraged to report any new risks through the Group's internal reporting procedures.

The Group's principal risks and uncertainties are set out on pages 11 to 13.

There is currently no internal audit function as the Board and Audit Committee 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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Maintain the Board as a well-functioning, balanced team led by the chair and ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities

The Board is responsible to shareholders for the proper management of the Group. A statement of directors' responsibilities is set out on page 31 and the interests and experience of the Board are set out on pages 15 and 16. 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 considered two to be independent directors (Robert Senior and Malcolm Wall). The non-executive Directors have retail, media, advertising and technology business expertise.

The executive leadership team includes three members of the Board, the Chief Executive Officer (who has a retail background), the Chief Technology Officer (who has a technology background) and the Chief Financial Officer (who has a finance in technology businesses background).

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. Each year, the non-executive directors are required to attend 10-12 board and board committee meetings as well as a whole day offsite strategy session, which helps to shape the Group's strategy for the coming year and beyond.

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 on pages 23 to 24.

Meetings of the Board and its committees held during the Year and the attendance of the Directors are summarised below:

	Board meetings		Audit Committee		Remuneration Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
Tim Mason	11	11	-	-	-	-
Steve Rothwell	11	11	-	-	-	-
Lucy Sharman-Munday	11	11	-	-	-	-
Bill Currie	11	9	3	3	-	-
Sir Terry Leahy	11	11	-	-	-	-
Robert Senior	8	7	-	-	2	2
Malcolm Wall	11	11	3	1	3	3

The Board has a schedule of regular business, financial and operational matters and each board committee has compiled a schedule of work to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the Year. The Company Secretary compiles the Board and committee papers which are circulated to Directors prior to meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board carries out an annual 360° board assessment that assesses the objectives, strategy and remit of the Board, performance management, risk management and the experience, skills and capabilities of the Directors to manage the business. This assessment is owned by the Chairman who uses the feedback to improve reporting processes and oversight. The executive leadership team has objectives that are fed from the Group's annual strategy session. Appraisals are held twice per annum and are discussed at the Remuneration Committee.

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Promote a corporate culture that is based on ethical values and behaviours

The Group has six core values that employees are recruited by (as well as skill) and are remunerated by (as well as achievement of objectives). These are:

- Excellence
- Innovation
- Integrity
- Passion
- Fun
- Teamwork

Excellence encapsulates what the Group calls "the Purple Standard" and is what is looked for on a day to day basis from the Group's employees and suppliers.

The Board believes that a culture based on these values provides a competitive advantage and is consistent with fulfilment of the Group's strategy. The culture is monitored through the biannual employee appraisal process and through the use of a satisfaction and engagement survey which is performed annually. The executive leadership team reviews the key findings of the survey and determines whether any action is required.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

In addition to the Board and its committees referred to under "Maintain the Board as a well-functioning, balanced team led by the chair and ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities" and set out in more detail below, the Group operates a number of sub-boards, each of which has a chairman and an Executive Director sponsor and are attended by a wider cross-section of key senior managers from across the business.

- The executive leadership team reviews the day to day operations against the business objectives set within the Group's strategy;
- The Sales and Operations Board monitors the sales, strategic partnerships and project delivery required to achieve the targeted revenue growth;
- The Product Board monitors the product delivery against the roadmap and takes customer and market feeds to drive the innovation of the product that is discussed, debated and prioritised within this forum; and
- The People Board discusses all employee related matters, including reward and benefits, talent attraction and retention strategy, employee relations and recruitment.

Remuneration Committee

The Remuneration Committee is currently chaired by Malcolm Wall and consists of two non-executive directors, Malcolm Wall and Robert Senior. It is expected that Robert will become chair of the Remuneration Committee once he has gained 12 months' experience with the Group. The Committee is expected to meet no less than twice a year. Executive directors may attend meetings at the Committee's invitation.

The Remuneration Committee is responsible for determining and agreeing with the Board the broad policy for the remuneration and employment terms of the Executive Directors, Chairman and other senior executives and, in consultation with the Chief Executive Officer, for determining the remuneration packages of such other members of the executive management of the Group as it is designated to consider. The Committee is also responsible for the review of, and making recommendations to the Board in connection with, share option plans and performance related pay and their associated targets, and for the oversight of employee benefit structures across the Group.

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. This Remuneration Committee report includes a summary of the remuneration policy and the Annual Report on Remuneration.

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Audit Committee

The Audit Committee is chaired by Bill Currie, and consists of two non-executive directors, Bill Currie and Malcolm Wall. The Audit Committee meets formally not less than three times every year and otherwise as required. The external auditors are invited to each meeting and the Chief Executive Officer and Chief Financial Officer (together with members of the finance team as appropriate) attend by invitation.

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.

In fulfilment of these objectives the Committee:

- reviews the Group's financial statements and finance-related announcements, including compliance with statutory and listing requirements. Compliance is reviewed each year with the Chief Financial Officer and enhancements are made as appropriate;
- considers whether these statements and announcements provide a fair, balanced and understandable view of the Group's strategy and performance, and of the associated risks. Further consideration of these matters is also provided by the Board as a whole;
- considers the appropriateness of accounting policies and significant accounting judgements and the disclosure of these in the financial statements;
- reviews the effectiveness of financial controls and systems. The Group does not have an internal audit function and the Committee continues to be of the view that the Group is not yet of a size and complexity to warrant the establishment of such a function; and
- oversees the relationship with and performance of the external auditors.

Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Communications with shareholders are set out above under "Seek to understand and meet shareholder needs and expectations". 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. 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.

Additionally, communications with other relevant stakeholders are set out above under "Take into account wider stakeholder and social responsibilities and their implications for long-term success". 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.

Remuneration Committee Report

Directors' remuneration policy

The Group's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the Group's business strategy in order to optimise long-term shareholder value. It is the intention that this policy should conform to best practice standards and that it will continue to apply for 2020 and subsequent years, subject to ongoing review as appropriate.

The policy is framed around the following key principles:

- total rewards will be set at levels that are sufficiently competitive to enable the recruitment and retention of high-calibre executives;
- total incentive-based rewards will be earned through the achievement of performance conditions consistent with shareholder interests;
- the design of long-term incentives will be prudent and will not expose shareholders to unreasonable financial risk;
- in considering the market positioning of reward elements, account will be taken for the performance of the Group and of each individual Executive Director; and
- reward practice will conform to best practice standards as far as reasonably practicable.

When formulating the quantum and structure of remuneration, the Remuneration Committee takes account of a number of different factors including market practice and external market data of the level of remuneration offered to directors of similar role and seniority in other companies whose activities and size are similar, as well as the experience and performance of both the Executive Directors and the Group. In addition, the pay and employment conditions of employees are also considered when determining Directors' remuneration. The Remuneration Committee may also seek advice from external consultants where appropriate and the services of Korn Ferry were retained during the year. No Director was involved in deciding the level and composition of their own remuneration.

The Executive Directors receive an amount of fixed pay made up of a base salary, and in some cases a benefits package and pension contribution.

Short term performance for senior executives is incentivised using an annual bonus scheme based on the achievement of profitability, revenue and personal strategic goals. Long term performance is incentivised by way of a long term incentive plan ('LTIP') based on the achievement of performance goals aligned to the Company's business strategy and measured over a three-year period.

Employees of the Group are rewarded for excellent performance by the award of EMI options. Vesting of these options is based on the achievement of certain revenue and profit targets to be achieved three years after the grant of the options.

These various schemes provide the Board with tools to help it to continue to strengthen the alignment of employee and shareholder interests.

Executive Directors' remuneration for 2019

2019 base salaries

The Executive Directors' base salaries were increased in the year effective from 1 January 2019 by between 3% - 5% recognising the strong performance of the Executive Directors, their relative responsibilities and the performance of the Group during the previous 12 months.

	Salary 1 January 2018	Salary 1 January 2019
	£000	£000
Tim Mason	315	324
Steve Rothwell	178	187
Lucy Sharmar-Munday	178	187

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2019 Annual bonus

The Executive Directors have a maximum annual bonus opportunity of 69% of salary, performance is measured on both personal objectives linked to the strategic direction of the business (maximum opportunity 25% of annual salary) and revenue and EBITDA achievement (maximum opportunity 44% of annual salary). The combined target bonus opportunity is 50% of salary. The delta between the target (50%) and the maximum (69%) represents the stretch target.

The targets were based on accounting standards followed by the Company prior to the adoption of IFRS 15 and IFRS 16. For assessment of actual performance, the outturn has also been measured prior to the adoption of IFRS 15 and IFRS 16. The revenue target was between £15.7m and £24.0m; the outturn being £17.1m and the EBITDA target between £(0.7)m and £1.4m with the outturn being £0.2m. This resulted in a combined payout of 39.3% (out of a maximum of 69%) for all Executive Directors. The total bonus payable to the Executive Directors in respect of both the financial (revenue and EBITDA) and personal objective performance in FY19 was determined as set out below:

	Maximum performance	Actual performance	Actual bonus payable
Tim Mason	69% of salary payable	39.4% of salary payable	£119,138
Steve Rothwell	69% of salary payable	37.4% of salary payable	£65,285
Lucy Sharman-Munday	69% of salary payable	41.0% of salary payable	£81,661

LTIP award granted in FY2019

On 8 January 2019 LTIP awards were granted as nominal cost options under the Eagle Eye LTIP Share Option Scheme to the Executive Directors as set out in the table below subject to the following performance targets to be met during the performance period of three financial years ending 30 June 2021.

LTIP award levels were increased to 150% of salary for FY2019 with a super stretch target being set for the vesting of the additional 50% of salary LTIP award.

Performance targets for FY19 LTIP awards

Performance measures	Threshold vesting	Target vesting	Stretch vesting	Super Stretch vesting
	35% of salary (23.3% of max)	62.5% of salary (41.6% of max)	100% of salary (66.6% of max)	150% of salary
Revenue - 50% of award	£24.100m	£26.800m	£29.500m	£32.200m
Adjusted EBITDA - 50% of award	£4.100m	£4.600m	£5.100m	£5.500m

1. There is linear vesting in between each of the vesting points
2. The Committee may scale back the level of vesting if it considers at the time of vesting that the formulaic level of vesting does not reflect the overall underlying performance of the Company or investor experience taking into account, among other matters, share price.
3. These targets reflect the adoption of IFRS 15 and IFRS 16 during the year.

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LTIP awards with performance period ending in FY19

The LTIP awards granted as nominal cost options will vest as set out in the table below, based on the extent to which the targets set were met during the performance period of three financial years ending 30 June 2019. The targets were based on accounting standards followed by the Company prior to the adoption of IFRS 15 and IFRS 16. For assessment of actual performance, the outturn has also been measured prior to the adoption of IFRS 15 and IFRS 16.

Performance targets	Threshold performance	Target performance	Stretch performance	Actual performance
Revenue	£16.650m	£18.500m	£20.350m	£17.114m
Adjusted EBITDA	£(250,000)	£nil	£250,000	£156,000

	Date of grant	Maximum number of shares	Number of shares vesting	Total value of LTIP award vesting¹
Tim Mason²	21 September 2016	221,388	153,606	£ 248,590
Tim Mason²	9 November 2017	221,679	153,808	£ 248,917
Tim Mason²	8 January 2019	221,679	221,679	£ 358,757
Steve Rothwell	21 September 2016	96,242	61,497	£ 99,525
Lucy Sharman-Munday	21 September 2016	91,582	58,520	£ 94,706

1. Value of award uses 3-month average share price to 30 June 2019 of £1.6184 and nominal cost exercise price of £0.01 per share as the share price on the actual date of vesting is not known.
2. Award granted to Tim Mason on his appointment as Chief Executive Officer. The first share award over 221,388 shares (granted 21 September 2016) and 221,679 shares (granted 9 November 2017 because technical plan limits meant it could not all be granted on 21 September 2016) was subject to performance measured to 30 June 2019. The second award, over 221,679 shares, vests provided that the CEO remains with the Company to 30 June 2019 subject to an underpin to scale back the level of vesting if the Committee is unhappy with the level of performance prior to vesting.

The Committee has reviewed and is comfortable with the underlying performance of the Company and considers that no scale back of vesting levels is necessary.

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Outstanding LTIP awards

	FY	Date of grant	Type of award	Number of shares granted	Exercise price £	Vested during the year	Lapsed during the year	Vested unexercised	Total 30 June 2019	Performance period ends
Tim Mason	2016	4 January 2016	LTIP	443,165	0.01	443,165	-	443,165	443,165	N/A
	2017	21 September 2016	LTIP appointment award	221,388	0.01	-	-	-	221,388	30 June 2019
	2018	9 November 2017	LTIP appointment award	221,679	0.01	-	-	-	221,679	30 June 2019
	2018	9 November 2017	LTIP	83,871	0.01	-	-	-	83,871	30 June 2020
	2019	8 January 2019	LTIP appointment award	221,679	0.01	-	-	-	221,679	30 June 2019
	2019	8 January 2019	LTIP	472,500	0.01	-	-	-	472,500	30 June 2021
				1,664,282		443,165	-	443,165	1,664,282	
Steve Rothwell	2014	4 April 2014	EMI	292,696	0.51	-	-	292,696	292,696	N/A
	2014	4 April 2014	Unapproved	229,759	0.51	-	-	229,759	229,759	N/A
	2015	16 December 2014	EMI	51,545	0.51	-	-	51,545	51,545	N/A
	2016	12 January 2016	LTIP	45,926	0.01	45,926	-	45,926	45,926	N/A
	2017	21 September 2016	LTIP	96,242	0.01	-	-	-	96,242	30 June 2019
	2018	9 November 2017	LTIP	47,527	0.01	-	-	-	47,527	30 June 2020
	2019	8 January 2019	LTIP	267,750	0.01	-	-	-	267,750	30 June 2021
				1,031,445		45,926	-	619,926	1,031,445	
Lucy Sharman-Munday	2015	17 July 2014	EMI	62,500	1.55	-	-	62,500	62,500	N/A
	2015	3 November 2014	EMI	62,500	1.55	-	-	62,500	62,500	N/A
	2016	12 January 2016	LTIP	39,383	0.01	39,383	-	39,383	39,383	N/A
	2017	21 September 2016	LTIP	91,582	0.01	-	-	-	91,582	30 June 2019
	2018	9 November 2017	LTIP	47,527	0.01	-	-	-	47,527	30 June 2020
	2019	8 January 2019	LTIP	267,750	0.01	-	-	-	267,750	30 June 2021
				571,242		39,383	-	164,383	571,242	

Performance targets for FY18 LTIP awards

Performance measures	Threshold vesting	Target vesting	Stretch vesting
	35% of max	62.5% of max	100%
Revenue - 50% of award	£21.330m	£23.700m	£26.070m
Adjusted EBITDA - 50% of award	£2.250m	£2.500m	£2.750m

1. There is linear vesting in between each of the vesting points
2. The Committee may scale back the level of vesting if it considers at the time of vesting that the formulaic level of vesting does not reflect the overall underlying performance of the Company or investor experience taking into account, among other matters, share price.
3. These targets have been restated for the adoption of IFRS 15 and IFRS 16 during the year.

Company Chairman and Non-Executive Directors

The Non-Executive Directors' fees were reviewed with effect from 1 January 2019 with no changes being made. The fee for the Company Chairman was held at £60,000, the Non-Executive Directors' base fee at £30,000 with additional fees for chairing the Remuneration Committee and Audit Committee at £5,000.

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Total Directors' Remuneration

The table below sets out the total remuneration payable to the Directors:

30 June 2019	Salary and fees £000	Annual bonus¹ £000	Other benefits² £000	Pension £000	Long-term incentives³ £000	Total £000
Tim Mason	320	119	11	-	856	1,306
Steve Rothwell	183	65	-	6	100	354
Lucy Sharman-Munday	183	82	5	6	95	371
Malcolm Wall ⁴	65	-	-	-	-	65
Robert Senior	22	-	-	-	-	22
Terry Leahy	30	-	-	-	-	30
Bill Currie	35	-	-	-	-	35
	838	266	16	12	1,051	2,183

¹ The annual bonus shown in the table above for FY19 is in respect of performance for FY19 (and is paid in FY20).

² Benefits represent allowances payable, including car allowance.

³ The performance period for the FY17 LTIP awards (granted September 2016) ended on 30 June 2019. The awards are valued using the average share price for the last 3 months of the financial year (as the date of vesting is after approval of this report).

⁴ Malcolm Wall fulfilled the role as Remuneration Committee chair during the period in addition to his role as Chairman.

30 June 2018	Salary and fees £000	Annual bonus⁵ £000	Other benefits £000	Pension £000	Long term incentives⁶ £000	Total £000
Tim Mason	308	109	9	-	439	865
Steve Rothwell	174	59	-	5	45	283
Lucy Sharman-Munday	174	63	5	5	39	286
Malcolm Wall	56	-	-	-	-	56
Drew Thomson	32	-	-	-	-	32
Terry Leahy	18	-	-	-	-	18
Bill Currie	18	-	-	-	-	18
	780	231	14	10	523	1,558

⁵ The annual bonus shown for FY18 is in respect of performance for FY18 and was paid in FY19.

⁶ The value of the LTIP awards has been updated from last year's disclosure to reflect the actual share price on vesting.

Application of remuneration policy for FY20

Base salaries

The Executive Directors base salaries will be reviewed by the Remuneration Committee during the course of the year with any increases effective from 1 January 2020.

Annual bonus

The Executive Directors annual bonus targets and bonus opportunity are under review but will continue to be performance based considering both personal strategic objectives and financial measures for FY20.

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LTIP awards

The Committee intends to grant LTIP awards to the Executive Directors over shares with a value equivalent to up to 150% of salary, subject to achievement of stretching Revenue and EBITDA targets measured over three financial years to 30 June 2022. The targets will be determined prior to awards being granted and will be disclosed in the FY20 Remuneration Report.

Company Chairman and Non-Executive Directors

The fees for the Company Chairman and Non-Executive Directors will be reviewed during the course of the year with any increases effective from 1 January 2020.

Shares held by Directors

	Beneficially owned shares 30 June 2018	Beneficially owned shares 30 June 2019	Unvested subject to performance targets 30 June 2018	Unvested subject to performance targets 30 June 2019	Vested unexercised 30 June 2018	Vested unexercised 30 June 2019
Tim Mason	241,839	241,839	970,103	1,221,117	-	443,165
Steve Rothwell	1,511,672	1,511,672	189,695	411,519	574,000	619,926
Lucy Sharman-						
Munday	24,750	39,982	178,492	406,859	125,000	164,383
Malcolm Wall	37,529	37,529	-	-	-	-
Robert Senior	-	17,372	-	-	-	-
Bill Currie	3,263,322	3,413,322	-	-	-	-
Terry Leahy	2,270,970	2,420,970	-	-	-	-

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 2019 which comprise the consolidated statement of total comprehensive income, parent company and consolidated statements of financial position, parent company and consolidated statements of changes in equity, consolidated statement of cash flows and notes to the 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 2019 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 group and parent company 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 group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Group key audit matters

Adoption of IFRS 15 transition

(Refer to pages 43 regarding the accounting policy in respect of the adoption of IFRS 15 Revenue from Contracts with Customers (Included in the Basis of Preparation section) and note 22 to the financial statements on pages 66 to 69).

The risk

The group's revenue streams are relatively complex as several types of customer contracts are used and each customer contract may include multiple promises. The application of IFRS 15 requires management to make significant judgements and estimates in respect of the following:

- identifying the performance obligations in the contract. In particular, determining whether services promised in the contract are distinct;
- determining whether services are satisfied at a point in time or over time;
- allocating the transaction price to the performance obligations; and
- recognition of contract assets in respect of incremental costs of obtaining a contract and costs to fulfil a contract.

This was considered to be one of most significant matters in the audit and therefore determined to be a key audit matter because of the risk that the group has incorrectly applied the principles of the new standard and considered its impact in respect of the change in standards on prior year financials.

Our response

The group's assessment of the impact of IFRS 15 was obtained and reviewed. Management's determination of the performance obligations was assessed by reference to the underlying contracts and the principles of IFRS 15. The determination of transaction prices and allocation to performance obligations was also considered. The recognition and measurement of revenue was assessed against the performance obligations and transaction prices identified.

We have also reviewed management's assessment in respect of direct contract costs associated with the revenues.

Revenue recognition

(Refer to page 43 regarding the accounting policy in respect of revenue recognition, page 49 in respect of critical judgements and estimates applied by the Directors and note 3 to the financial statements on pages 50 and 51)

The risk

Appropriate and accurate income recognition is required to be applied by the Directors to ensure that revenue is recognised in accordance with IFRS 15 *Revenue from contracts with customers* within the financial statements. There is a risk that revenue could be inappropriately recognised based on the differing recognition policies. In the year to 30 June 2019 revenue recognised amounted to £16,929,000 (2018: £13,781,000).

Our response

Copies of customer contracts generating significant revenues in the year were obtained and the nature of services provided under the contracts corroborated with relevant personnel. Detailed testing was undertaken on a sample of revenue recognised in the year checking it had been recognised in line with the disclosed accounting policy and agreeing amounts back to the associated contract. Amounts recognised were also traced to day rates and records of hours worked where appropriate. Evidence of services provided prior to the reporting date was obtained for a sample of accrued income balances to determine whether that the income for those items had been recognised in the correct period. Contract terms were also inspected in respect of a sample of deferred income balances to confirm that billing was in line with the contract terms and evidence was obtained that the associated services were provided after the reporting date. We also confirmed that the revenue was analysed in accordance with the terms of the contract and the requirements of IFRS 15 and was appropriately disclosed in the financial statements.

The costs associated with obtaining and fulfilling contracts identified by management were reviewed. Their allocation within the statement of financial position and release to the consolidated statement of total comprehensive income was also reviewed.

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Capitalisation of development costs

(Refer to pages 44 and 45 regarding the accounting policy in respect of Internally-generated development intangible assets, page 48 in respect of critical judgements and estimates applied by the Directors and note 9 to the financial statements on pages 55 and 56)

The risk

Capitalisation of development costs as intangible assets requires the Board of Directors to demonstrate that the six criteria as defined within IAS 38 *Intangible Assets* have all been met. Due to the judgmental nature of this assessment, there is a risk that the costs capitalised should be expensed in the period. Furthermore, there is a risk that the useful economic life of the assets in question are not appropriate based on the nature of the costs capitalised.

At the 30 June 2019, there is £3,330,000 of intellectual property capitalised (2018: £2,842,000) in the Consolidated Statement of Financial Position.

Our response

A breakdown of the costs capitalised during the period was obtained at the reporting date. The calculation of costs capitalised was performed on a sample basis. Where judgements were applied in the calculation of costs capitalised, those judgements were challenged to assess the adequacy of the assertions made by management and further evidence obtained to support management's assessment that those additions should be capitalised during the year. The nature of the costs capitalised were analysed on a sample basis and checked against the IAS 38 criteria.

This understanding was also applied to ascertain whether the costs capitalised related to the enhancement of the AIR platform or separately identifiable projects and to challenge management about their assumptions relating to the remaining useful economic lives of the assets.

Carrying value of intellectual property and goodwill

(Refer to page 44 regarding the accounting policy in respect of goodwill, page 49 in respect of critical judgements and estimates applied by the Directors and note 9 to the financial statements on pages 55 and 56)

The risk

The Board of Directors are required to undertake an annual impairment review of cash generating units to which intellectual property and goodwill has been allocated in accordance with IAS 36 *Impairment of assets*.

This impairment review requires judgment in estimating the value in use of these cash generating units. 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 2019, there is £2,664,000 of goodwill capitalised (2018: £2,664,000) and £3,330,000 of intellectual property capitalised (2018: £2,842,000) in the Consolidated Statement of Financial Position.

Our response

Management's impairment review was obtained along with the underlying calculations prepared to support the carrying value of intellectual property and goodwill. The assessment was reviewed to ascertain whether it complied with the requirements of IAS 36. The forecasts used in the impairment review were agreed to Board approved budgets and checked for consistency to the forecasts prepared by management to support their going concern assessment. Where variances were identified, management explanations were obtained, considered in light of other evidence obtained during the course of the audit and questioned where appropriate.

The assumptions in relation to revenue and profit growth rates were challenged 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.

In addition, the appropriateness of the growth and discount rate assumptions were challenged by considering the entities management had used as relevant benchmarks.

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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. When evaluating whether misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £137,000, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £126,500, which was not significantly 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 £5,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Eagle Eye Solutions Group Plc and Eagle Eye Solutions Limited were subject of full scope audit procedures for group and statutory purposes. The other subsidiary companies included in the group financial statements were subject to full scope audit procedures using group materiality. All of the group work was undertaken by the same UK audit team. 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.

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.

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 their 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 31, 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.

Use of our 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
9th Floor
3 Hardman Street,
Manchester,
M3 3HF

16 September 2019

Eagle Eye Solutions Group plc
Consolidated Financial Statements for the year ended 30 June 2019

Consolidated statement of total comprehensive income
for the year ended 30 June 2019

	Note	2019 £000	2018 (restated) £000
Continuing operations			
Revenue	3	16,929	13,781
Cost of sales		(1,171)	(1,475)
Gross profit		15,758	12,306
Adjusted operating expenses ⁽¹⁾		(15,044)	(14,311)
Profit/(loss) before interest, tax, depreciation, amortisation and share-based payment charge		714	(2,005)
Share-based payment charge		(822)	(1,204)
Depreciation and amortisation		(2,423)	(1,930)
Operating loss	4	(2,531)	(5,139)
Finance income	6	1	-
Finance expense	6	(277)	(85)
Loss before taxation		(2,807)	(5,224)
Taxation	7	447	887
Loss after taxation for the financial year		(2,360)	(4,337)
Foreign exchange adjustments		51	29
Total comprehensive loss attributable to the owners of the parent for the financial year		(2,309)	(4,308)
⁽¹⁾ Adjusted operating expenses excludes share-based payment charge, depreciation and amortisation			
Loss per share			
From continuing operations			
Basic and diluted	8	(9.27)p	(17.06)p

**Consolidated statement of financial position
as at 30 June 2019**

		2019	2018 (restated)
	Note	£000	£000
Non-current assets			
Intangible assets	9	6,158	5,615
Contract fulfilment costs	10	217	180
Property, plant and equipment	11	1,205	1,501
		7,580	7,296
Current assets			
Trade and other receivables	13	3,618	4,059
Current tax receivable		370	302
Cash and cash equivalents	17	1,363	1,472
		5,351	5,833
Total assets		12,931	13,129
Current liabilities			
Trade and other payables	14	(4,874)	(4,812)
Financial liabilities	15	(2,600)	(1,100)
		(7,474)	(5,912)
Non-current liabilities			
Other payables	14	(1,137)	(1,422)
Total liabilities		(8,611)	(7,334)
Net assets		4,320	5,795
Equity attributable to owners of the parent			
Share capital	18	255	254
Share premium	18	17,066	17,055
Merger reserve	18	3,278	3,278
Share option reserve		3,236	2,430
Retained losses		(19,515)	(17,222)
Total equity		4,320	5,795

These financial statements were approved by the Board on 16 September 2019 and signed on its behalf by:



L Sharman-Munday
Director



T Mason
Director

Eagle Eye Solutions Group plc
Consolidated Financial Statements for the year ended 30 June 2019

**Consolidated statement of changes in equity
for the year ended 30 June 2019**

	Share capital £000	Share premium £000	Merger reserve £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 July 2017	253	17,008	3,278	1,303	(12,980)	8,862
Restatement	-	-	-	-	(11)	(11)
Balance at 1 July 2017 (Restated)	253	17,008	3,278	1,303	(12,991)	8,851
Loss for the financial year	-	-	-	-	(4,337)	(4,337)
Other comprehensive income						
Foreign exchange adjustments	-	-	-	-	29	29
	-	-	-	-	(4,308)	(4,308)
Transactions with owners recognised in equity						
Exercise of share options	1	54	-	-	-	55
Issue costs	-	(7)	-	-	-	(7)
Fair value of share options exercised in the year	-	-	-	(77)	77	-
Share-based payment charge	-	-	-	1,204	-	1,204
	1	47	-	1,127	77	1,252
Balance at 30 June 2018 (restated)	254	17,055	3,278	2,430	(17,222)	5,795
Loss for the financial year	-	-	-	-	(2,360)	(2,360)
Other comprehensive income						
Foreign exchange adjustments	-	-	-	-	51	51
	-	-	-	-	(2,309)	(2,309)
Transactions with owners recognised in equity						
Exercise of share options	1	11	-	-	-	12
Fair value of share options exercised in the year	-	-	-	(16)	16	-
Share-based payment charge	-	-	-	822	-	822
	1	11	-	806	16	834
Balance at 30 June 2019	255	17,066	3,278	3,236	(19,515)	4,320

Included in Retained losses is a cumulative foreign exchange balance of £129,000 (2018: £78,000) which could be recycled to retained losses.

Consolidated statement of cash flows
for the year ended 30 June 2019

	2019	2018
	£000	(restated) £000
Cash flows from operating activities		
Loss before taxation	(2,807)	(5,224)
Adjustments for:		
Depreciation	407	352
Amortisation	2,016	1,577
Share-based payment charge	822	1,204
Finance income	(1)	-
Finance expense	277	85
Decrease/(increase) in trade and other receivables	429	(483)
(Decrease)/Increase in trade and other payables	(71)	1,317
Income tax paid	(9)	(1)
Income tax received	506	415
Net cash flows from operating activities	1,569	(758)
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(111)	(110)
Payments to acquire intangible assets and contract fulfilment costs	(2,596)	(2,254)
Net cash flows used in investing activities	(2,707)	(2,364)
Cash flows from financing activities		
Net proceeds from issue of equity	12	46
Proceeds from borrowings	3,300	4,000
Repayment of borrowings	(1,800)	(2,900)
Capital payments in respect of leases	(257)	(220)
Interest paid in respect of leases	(56)	(63)
Interest received	1	-
Interest paid	(222)	(22)
Net cash flows from financing activities	978	841
Net decrease in cash and cash equivalents in the year	(160)	(2,281)
Foreign exchange adjustments	51	29
Cash and cash equivalents at beginning of year	1,472	3,724
Cash and cash equivalents at end of year	1,363	1,472

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 Group has adopted IFRS 15 and IFRS 16 from 1 July 2018 and the prior year comparison and the opening reserves at 1 July 2017 have been restated. Note 22 discloses the impact of adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. There have been no changes in respect of the judgements made in applying these standards from those disclosed in the Group's interim statement for the period ended 31 December 2018. The Group has also adopted IFRS 9 *Financial Instruments* on 1 July 2018; this has been adopted prospectively with no retrospective adjustments and as disclosed in the financial statements for the year ended 30 June 2018 there is no change as a result of adopting the standard.

The profit before interest, tax, depreciation, amortisation and share-based payment charge (adjusted EBITDA) 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 2018 and not early adopted

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

Standard	Key requirements	Effective date (for annual periods beginning on or after)
Annual improvements to IFRSs 2015-2017	The 2017 Annual improvements cycle covered amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. 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.

Accounting policies (continued)

Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on the Going Concern basis of Accounting and Reporting on Solvency and Liquidity Risks- Guidance for directors of companies that do not apply the UK Corporate Governance Code".

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.

Eagle Eye Solutions Group plc
Consolidated Financial Statements for the year ended 30 June 2019

Accounting policies (continued)

Revenue recognition

The Group has applied IFRS 15 *Revenue from Contracts with Customers* using the fully retrospective approach and therefore the comparative information has been restated as set out in note 22.

Revenue comprises the fair value of the consideration received or receivable from contracts with customers for the provision of the Group's services, excluding any applicable sales taxes, and is recognised at the point that the performance obligations to the customer have been satisfied, as set out below.

Products and Services	Nature and timing of satisfaction of performance obligations and significant payment terms
Development and set up fees	The Group uses an Agile methodology in its development. When delivering services to certain clients the nature of this development is that the exact form and functionality of the final solution is agreed with the client as the development progresses. In these circumstances, the development phase of the project is a separate performance obligation, which is delivered over the period of development, with revenue recognised based on the number of hours worked. In other cases, where the client has purchased the Group's standard product and there is a relatively short implementation period, there is a single performance obligation- the delivery of a Software as a Service (SaaS) solution. In these circumstances, the development and set up fees will be recognised over the period from when the SaaS solution is launched to the client to the end of the contract period.
Subscription fees	Subscription fees covering, inter alia, licences, hosting and support services, form part of the SaaS performance obligation and are recognised over time from when the SaaS solution is launched to the end of the contract period. Generally for the provision of a SaaS solution, such revenue is recognised on a straight line basis. Subscription fees are invoiced on a monthly, quarterly, bi-annual or annual basis. Where invoices are raised in advance of the performance obligation being satisfied, a portion is recognised in deferred income in the Statement of Financial Position.
Transactional fees	Transactional fees are linked to transactional volumes and are recognised as the transactions occur.

Where the services provided to a client represent a single performance obligation the entire transaction price is allocated to that performance obligation. In determining the transaction price, consideration is given to any amounts collected on behalf of third parties, which are not included within the transaction price, and whether there is any financing component. The Group's credit terms offered to its clients mean that there is no finance component to amounts charged to clients.

Where a contract covers multiple performance obligations, such as where the development phase of a project and the delivery of the SaaS solution represent separate performance obligations, the transaction price for each individual performance obligation will be determined by considering a number of factors including the stand alone selling price for the services provided to satisfy the performance obligation, any variable consideration and the properties of any associated licences.

Cost of sales

The Group's cost of sales includes costs directly attributable to distinct sales including the cost of sending SMS messages, revenue share agreements and outsourced bespoke development work.

Accounting policies (continued)

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.

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:

Right of use assets	2 to 5 years, straight-line
Computer equipment	2 to 3 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.

Costs to obtain contracts

The Group recognises the incremental costs of obtaining contracts with customers as an asset if those costs are expected to be recoverable, and records them in 'intangible assets' in the Consolidated Statement of Financial Position. Incremental costs of obtaining contracts are those costs that the Group incurs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained and are amortised over the expected initial period of the client relationship. The Group does not reinstate costs previously expensed should the recognition criteria be met in a later period.

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

Accounting policies (continued)

Internally-generated development intangible assets are amortised in the statement of comprehensive income on a straight-line basis over their estimated 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.

Contract fulfilment costs

The Group recognises the costs incurred in fulfilling future performance obligations for contracts with customers, where those costs are directly associated with the contract, as an asset if those costs are expected to be recoverable, and records them in 'other assets' in the Consolidated Statement of Financial Position. Costs associated with fulfilment of future performance obligations are amortised over the period that those specific performance obligations are performed.

Impairment of non-current 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 17 as 'loans and receivables'.

(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 17 as 'loans and receivables'.

Accounting policies (continued)

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 17 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

The Group has applied IFRS 16 *Leases* using the full retrospective approach and therefore the comparative information has been restated as set out in note 22.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract is a lease, the Group assesses whether:

- The contract involves the use of an identified asset;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the contracted fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to £nil.

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets which the Group considers to be any lease with an annual cost of less than £5,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Accounting policies (continued)

Employee benefits

The Group operates a defined contribution auto-enrolment personal 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.

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 remuneration 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, based on the Directors' best estimate, takes account of 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.

Accounting policies (continued)

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 issued 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:

Capitalisation of internally-generated intangible assets

Careful judgement by the Directors is applied when deciding whether the recognition requirements as defined within IAS 38 Intangible Assets for development costs have been met. This is necessary as the economic success of any product development is uncertain until such time as technical viability has been proven and commercial supply agreements are likely to be achieved. Judgements are based on the information available at each reporting date which includes contracts signed, pipeline conversations and results of QA testing. In addition, all internal activities related to research and development of new products are continuously monitored by the Directors through the Product Board. The Directors exercise judgement in determining the costs to be capitalised and will use estimates to determine the useful economic life to be applied to the asset.

Impairment of internally-generated intangible assets

The Group reviews the carrying value of its assets annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists a review of the recoverable value of the asset is performed. 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 estimated 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.

Critical accounting estimates and judgements (continued)

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 2019 is £2.7 million (2018: £2.7 million).

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a client and is recognised when the performance obligations specified in a contract are transferred to a client, which may be at a point in time or over time.

For the Group's largest clients, the initial set up and installation will often include scoping and rescoping of the solution, working with our clients under an agile methodology. In this case revenue for the implementation services will be recognised as the scoping and development of the solution is completed. For the Group's smaller clients, the performance obligation is the delivery of a SaaS solution and the implementation revenue will therefore be recognised over the period that the service is live, post implementation. Therefore the directors must exercise their judgement in determining those instances where the implementation services form a separate performance obligation for the client.

Revenue related to implementation services in the year to 30 June 2019 was £4,930,000 (2018: £3,152,000).

Once a service is live for a client there is generally only one performance obligation- the provision of the SaaS solution. This meets the criteria to be recognised over time and, because the SaaS solution should be provided on a continuing basis, the directors have exercised their judgement that it is appropriate to recognise this revenue on a straight-line basis, reflecting the passage of time.

Contract costs

Costs associated with winning new contracts, such as sales commission for the Group's 'Win' sales team, are capitalised within intangible assets and amortised over the longer of the contract period or the expected term of the client relationship, where significant further costs are not expected to be incurred for renewal. Costs associated with implementation of the Group's SaaS solution are capitalised as Contract fulfilment costs and amortised over the period of the performance obligation. The directors exercise judgement in determining the costs to be capitalised and use estimates to determine the expected term of the client relationship. Contract costs capitalised in the year to 30 June 2019 were £418,000 (2018: £300,000).

Share-based payment charge

The Group issues share options to certain employees. The Black Scholes model is used to calculate the appropriate charge for these options. The choice and use of this model 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 risk-free interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. In addition, the Directors estimate the percentage of options that are expected to vest considering the likelihood of achieving performance targets and employee churn rates. Should more options vest than estimated the charge would increase.

Critical accounting estimates and judgements (continued)

The total charge recognised in the year to 30 June 2019 is £822,000 (2018: £1,204,000). Further information on share options can be found in note 19.

Interest rate for leases under IFRS 16

Under IFRS 16 *Leases*, the Group must recognise a lease liability for all its relevant leases based on the present value of the lease payments at the commencement of the lease. The lease payments should be discounted using the interest rate implicit within the lease, or if that rate cannot be readily determined, using the incremental borrowing rate of the Group. None of the leases of the Group contains an implicit interest rate and therefore the Directors have estimated the incremental borrowing rate for the right of use assets, taking into consideration the Group's unsecured borrowing rate and market rates.

The total interest charge in respect of leases recognised in the year to 30 June 2019 is £56,000 (2018: £63,000). Further information on leases can be found in note 20.

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 2019 was £26.4 million (2018: £19.0 million). Although the tax losses brought forward are not expected to expire and despite the Group's maiden EBITDA profit in the Year, given the Group's history of recent taxable 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 2019 was £4.5 million (2018: £3.6 million). Further information on the Group's deferred tax position can be found in Note 16.

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

Revenue is analysed as follows:

<u>Service</u>	2019 £000	2018 (restated) £000
Development and set up fees	4,930	3,152
Subscription and transaction fees	11,999	10,629
	16,929	13,781
<u>Product</u>	2019 £000	2018 (restated) £000
AIR revenue	15,927	12,071
Messaging revenue	1,002	1,710
	16,929	13,781

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Revenue analysis (continued)

	2019 £000	2018 (restated) £000
<u>Timing</u>		
Services transferred at a point in time	71	-
Services transferred over time	16,858	13,781
	16,929	13,781

In the year to 30 June 2019, revenue from two of the Group's customers represented more than 10% of the Group's revenue. Revenue related to those customers was £6,023,000 and £3,403,000 respectively. In the year to 30 June 2018, revenue from two of the Group's customers represented more than 10% of the Group's revenue. Revenue related to those customers was £3,943,000 and £3,093,000 respectively.

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

	2019 £000	2018 (restated) £000
United Kingdom	10,276	9,296
North America	6,023	3,943
Rest of Europe	210	516
Asia Pacific	420	26
	16,929	13,781

The amount of revenue recognised in 2019 from performance obligations satisfied (or partially satisfied) in previous periods is £nil (2018: £nil).

Transaction price allocated to the remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2020 £000	2021 £000	2022 £000	Total £000
Development and set up fees	1,107	236	16	1,359
Subscription fees	3,857	937	196	4,990
	4,964	1,173	212	6,349

No consideration from contracts with customers is excluded from the amounts presented above.

4 Operating loss

Operating loss is stated after charging to the statement of comprehensive income:

	2019	2018
	£000	(restated) £000
Depreciation of owned tangible assets	143	132
Depreciation of right of use assets	264	220
Amortisation of intangible assets	1,768	1,340
Amortisation of contract fulfilment costs	248	237
Employee costs (see note 5)	8,618	9,326
IT infrastructure costs	3,678	2,671
Expenses relating to short-term leases	108	87
Auditor's remuneration		
Audit of parent and consolidated accounts	34	16
Audit of the Company's subsidiaries	21	20
Non-audit services		
Other non-audit services ⁽¹⁾	67	14
Research and development	641	502

⁽¹⁾ Other non-audit services includes tax services of £30,000 (2018: £12,000) and Sarbanes Oxley compliance costs for Eagle Eye Solutions Canada Limited of £31,000 (2018: £nil).

5 Particulars of staff

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

	2019	2018
	No	No
Product development	51	48
Operations	48	46
Sales and administration	39	36
	138	130

The aggregate payroll costs of these persons were:

	2019	2018
	£000	(restated) £000
Wages and salaries	9,080	8,946
Share-based payment charge	822	1,204
Social security costs	1,080	1,032
Pension costs- defined contribution plan	226	184
	11,208	11,366
Less: amounts capitalised as intellectual property	(2,172)	(1,740)
Less: amounts capitalised as contract costs	(418)	(300)
	8,618	9,326

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Particulars of staff (continued)

Key management remuneration

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

	2019 £000	2018 £000
Aggregate emoluments including short-term employee benefits	1,507	1,526
Share-based payment charge	781	1,062
Pension costs- defined contribution plan	22	20
Social security costs	214	223
	2,524	2,831

Directors' remuneration

Remuneration of directors during the year was as follows:

	2019 £000	2018 £000
Aggregate emoluments including short-term employee benefits	1,120	1,025
Pension costs- defined contribution plan	12	10
	1,132	1,035

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

	2019 £000	2018 £000
Aggregate emoluments including short-term employee benefits	450	426

The remuneration of individual directors is disclosed in the Remuneration Report on page 25. Retirement benefits are accruing to two (2018: two) directors. No share options have been exercised by directors during the year (2018: nil).

6 Finance income and expense

	2019 £000	2018 £000
Interest receivable on bank deposits	1	-

	2019 £000	2018 (restated) £000
Interest payable on revolving credit facility	221	22
Interest on lease liability	56	63
	277	85

7 Taxation

	2019	2018
	£000	(restated)
		£000
Current tax		
UK Corporation tax at 19.00% (2018: 19.00%)	(371)	(302)
Overseas tax	125	4
Adjustments in respect of prior years ⁽¹⁾	(201)	(415)
	(447)	(713)
Deferred tax		
In respect of current year	-	(925)
In respect of prior years	-	751
	-	(174)
Tax on loss on ordinary activities	(447)	(887)
Tax reconciliation		
Loss before tax	(2,807)	(5,224)
Tax using UK corporation tax rate of 19.00% (2018: 19.00%)	(533)	(993)
Non-deductible expenses	1	5
Employee share acquisition relief	(4)	(40)
Share-based payments	156	229
Temporary timing differences	(3)	16
Overseas tax	125	4
Unrelieved tax losses	383	609
Research and development tax credit claim ⁽¹⁾	(572)	(717)
Tax on loss on ordinary activities	(447)	(887)

⁽¹⁾ The result for 2018 includes the research and development tax credit claims made for 2017 and expected to be made for 2018, reflecting the Group's history of successfully making research and development tax credit claims to HMRC.

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8 Loss per share

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

	Loss per share pence	Loss £000	2019 Weighted average number of ordinary shares	Loss per share pence	Loss £000	2018 (restated) Weighted average number of ordinary shares
Basic and diluted loss per share	(9.27)	(2,360)	25,454,371	(17.06)	(4,337)	25,420,567

9 Intangible assets

	Goodwill £000	Costs to obtain contracts £000	Intellectual property £000	Total £000
Cost				
At 1 July 2017 (restated)	2,664	133	7,271	10,068
Additions	-	60	1,952	2,012
At 30 June 2018 (restated)	2,664	193	9,223	12,080
Additions	-	133	2,178	2,311
At 30 June 2019	2,664	326	11,401	14,391
Amortisation				
At 1 July 2017 (restated)	-	28	5,097	5,125
Charge for the year	-	56	1,284	1,340
At 30 June 2018 (restated)	-	84	6,381	6,465
Charge for the year	-	78	1,690	1,768
At 30 June 2019	-	162	8,071	8,233
Net book value				
At 30 June 2019	2,664	164	3,330	6,158
At 30 June 2018 (restated)	2,664	109	2,842	5,615
At 1 July 2017 (restated)	2,664	105	2,174	4,943

The Group's intellectual property relates to its internally developed AIR platform and the acquired intellectual property of Zergo 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. Costs to obtain contracts relates to the incremental costs of obtaining contracts which would not have otherwise been incurred.

The Group's goodwill relates to its acquisition of Zergo Limited on 16 April 2014. Following the successful integration of the acquired Zergo business, the Group has one identifiable cash generating unit in the UK. An annual impairment review of the goodwill arising on the Zergo 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)

2019				
	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	2.0%	10%
2018				
	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%	12%

As the acquired 2ergo business is 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, the current pipeline 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, other entities that the Group is compared with by City analysts and investors and other entities with similar characteristics to the Group.

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 Contract fulfilment costs

	2019 £000	2018 £000
At 1 July	180	177
Additions	285	240
Amortisation	(248)	(237)
At 30 June	217	180

Costs to fulfil contracts are charged to the income statement as amortisation over the period of satisfaction of the performance obligations that those costs relate to.

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11 Property, plant and equipment

	Right of use assets £000	Computer equipment £000	Office furniture and fittings £000	Total £000
Cost				
At 1 July 2017 (restated)	1,300	273	263	1,836
Additions	197	110	-	307
Disposals	-	(24)	-	(24)
At 30 June 2018 (restated)	1,497	359	263	2,119
Additions	-	63	48	111
At 30 June 2019	1,497	422	311	2,230
Depreciation				
At 1 July 2017 (restated)	-	196	94	290
Charge for the year	220	76	56	352
Disposals	-	(24)	-	(24)
At 30 June 2018 (restated)	220	248	150	618
Charge for the year	264	88	55	407
At 30 June 2019	484	336	205	1,025
Net book value				
At 30 June 2019	1,013	86	106	1,205
At 30 June 2018 (restated)	1,277	111	113	1,501
At 1 July 2017 (restated)	1,300	77	169	1,546

12 Investments in joint ventures

On 27 August 2018, the Group disposed of its 51% interest in the ordinary share capital of Australian company Eagle Eye Solutions (Asia Pacific) Pty Limited for A\$1. The investment had previously been written down to £nil.

13 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	2,297	2,098
Less: Provision for impairment of trade receivables	(22)	(22)
	2,275	2,076
Prepayments	580	541
Accrued income	730	1,369
Other receivables	33	73
	3,618	4,059

Trade and other receivables (continued)

The ageing of trade receivables that were not impaired at 30 June 2019 was:

	2019 £000	2018 £000
Not past due	1,504	1,608
Up to 3 months past due	728	450
More than 3 months past due	43	15
	2,275	2,073

Accrued income and other receivables are not past due (2018: 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. In addition to assessing the recoverability of each debt invoice individually, the Group also assesses whether it is appropriate to make any general provision for bad debt taking into account such factors as historic collection rates and the general economic conditions for clients in each of the sectors the Group serves.

As at 30 June 2019, trade receivables of £22,000 (2018: £25,000) were impaired and provided for, all of which were more than 3 months old (2018: more than 3 months old). The amount of the provision was £22,000 as at 30 June 2019 (2018: £22,000). Movements on the provision for impairment of trade receivables are as follows:

	2019 £000	2018 £000
At 1 July	22	18
Provision for impairment of receivables charged	2	5
Receivables written off during the year	(2)	(1)
At 30 June	22	22

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.

Significant changes in the accrued income balances during the period are as follows:

	2019 £000	2018 £000
At 1 July	1,369	338
Transfers from accrued income recognised at the beginning of the period to receivables	(1,268)	(269)
Increases as a result of progress made against performance obligations, excluding amounts recognised as revenue during the year	629	1,300
At 30 June	730	1,369

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Trade and other receivables (continued)

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

	2019	2018
	£000	£000
Sterling	2,911	3,088
Canadian Dollars	532	971
Australian Dollars	175	-
	3,618	4,059

14 Trade and other payables

	2019	2018
	£000	(restated)
		£000
Current		
Trade payables	1,020	1,148
Accruals	1,446	1,481
Lease liabilities	224	256
Deferred income	1,489	1,083
Overseas corporate tax	106	3
Other payables	589	841
	4,874	4,812
Non-current		
Lease liabilities	830	1,055
Deferred income	307	367
	1,137	1,422

Significant changes in the deferred income balances during the period are as follows:

	2019	2018
	£000	(restated)
		£000
At 1 July	1,450	801
Revenue recognised that was included in the deferred income balance at the beginning of the year	(1,083)	(576)
Increases due to cash received, excluding amounts recognised as revenue during the year	1,429	1,225
At 30 June	1,796	1,450

Trade and other payables (continued)

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

	2019	2018
	£000	(restated)
		£000
Sterling	5,722	5,747
Canadian Dollars	247	487
Australian Dollars	42	-
	6,011	6,234

15 Financial liabilities

	2019	2018
	£000	£000
Short-term borrowings	2,600	1,100

The £5.0m revolving credit facility from Barclays Bank PLC expires on 31 May 2021, having been extended during the year. As security for the facility, Barclays Bank PLC holds fixed and floating charges over the assets of the Group, including the intellectual property and trade debtors of the Group.

16 Deferred tax liability

The elements of deferred taxation are as follows:

	2019	2018
	£000	£000
Accelerated capital allowances and intellectual property	261	246
Tax losses	(261)	(246)
	-	-

Movement in deferred tax:

	Accelerated capital allowances and intellectual property £000
At 1 July 2017	174
Credited to income statement	(174)
At 30 June 2018 and 2019	-

No deferred tax asset is recognised for unused tax losses and deferred taxation arising on share options across the Group of £26.4 million (2018: £19.0 million) due to uncertainty over the timing of their recovery.

17 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
- Financial liabilities

	2019 £000	2018 (restated) £000
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables	3,005	3,445
Cash and cash equivalents	1,363	1,472
	4,368	4,917
Financial liabilities		
<i>Other financial liabilities</i>		
Trade and other payables	4,109	4,781
Financial liabilities	2,600	1,100
	6,709	5,881

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

Financial risk management

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade receivables from customers and cash deposits with financial institutions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit checks are performed on new and potential customers 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 £865,000 (2018: £197,000), with Investec Bank plc in the United Kingdom was £15,000 (2018: £nil), with HSBC Bank plc in the United Kingdom was £1,000 (2018: £1,175,000) and with HSBC Bank Canada in Canada was £482,000 (2018: £100,000).

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 £2,000 (2018: £1,000). The Group assesses whether it is appropriate to make any general provision for bad debt taking into account such factors as historic collection rates and the general economic conditions for clients in each of the sectors the Group serves. The Group's trade receivables and contract assets do not contain significant financing components and therefore the Group uses the Simplified Approach to calculating expected credit losses under IFRS 9.

Financial instruments and financial risk management (continued)

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 the term of its £5.0 million revolving loan facility with Barclays Bank plc to 31 May 2021, secured on the Group's assets. At 30 June 2019, £2.6 million of this facility had been utilised (2018: £1.1 million), leaving headroom of £3.8 million (2018: £5.4 million).

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 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. Funds held in foreign currencies and not required for operating expenses in the local currency are converted to Sterling on a prompt basis taking into consideration prevailing foreign exchange rates at the time of receipt. The Group's revolving credit facility is denominated in Sterling. The Group has the following cash and cash equivalent deposits:

	2019 £000	2018 £000
Sterling	685	231
Canadian Dollars	497	1,241
Australian Dollars	166	-
New Zealand Dollars	15	-
	1,363	1,472

The cash and cash equivalent deposits held in Canadian Dollars were particularly high at 30 June 2018 due to a significant Canadian Dollar receipt in the final week of the year.

The gross value of receivables and payables by currency is disclosed in notes 13 and 14 respectively. The Group has the following net other financial instruments:

	2019 £000	2018 £000
Sterling	(1,569)	(2,112)
Canadian Dollars	353	776
Australian Dollars	76	-
New Zealand Dollars	36	-
	(1,104)	(1,336)

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

<i>Canadian Dollars</i>	2019 £000	2018 £000
Net assets	42	38
Loss before tax	155	65
<i>Australian Dollars</i>	2019 £000	2018 £000
Net assets	15	-
Loss before tax	15	-

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Financial instruments and financial risk management (continued)

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, other than in respect of the Group's leases (see note 20).

Capital management

The Group's capital structure is comprised of shareholders' equity and debt raised through the revolving credit facility with Barclays Bank plc. The objective of the Group when managing capital is to maintain adequate financial flexibility to preserve its ability to meet its 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.

18 Share capital and reserves

The authorised share capital of the Company at 30 June 2019 is 25,466,927 ordinary shares of 1p each.

	Number of shares issued and fully paid	Share capital £000	Share premium £000
At 1 July 2017	25,336,327	253	17,008
Issue of share capital	107,800	1	47
At 30 June 2018	25,444,127	254	17,055
Issue of share capital	22,800	1	11
At 30 June 2019	25,466,927	255	17,066

On 18 January 2019, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on this date was 22,800.

Merger reserve

The acquisition of its principal subsidiary, Eagle Eye Solutions Limited, 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.

19 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, may include the overall underlying performance of the Company, taking into account, among other matters, the Company's share price (as set out on pages 26 and 27).

	2019	2019	2018	2018
	Number of	Weighted	Number of	Weighted
	share	average	share	average
	options	exercise	options	exercise
		price		price
		£		£
Outstanding at the beginning of the year	2,817,712	0.65	2,541,385	0.65
Granted during the year	1,702,507	0.61	663,964	0.61
Exercised in the year	(22,800)	(0.51)	(107,800)	(0.51)
Lapsed in the year	(93,000)	(0.64)	(279,837)	(0.64)
Outstanding at the end of the year	4,404,419	0.65	2,817,712	0.65
Exercisable at the end of the year	1,432,098	0.57	926,424	0.86

In the year ended 30 June 2019, options were granted on 8 January 2019. The aggregate of the estimated fair value of the options granted on that day was £1,640,000 and the share price on that date was £1.00.

In the year ended 30 June 2018, options were granted on 9 November 2017. The aggregate of the estimated fair value of the options granted on that date was £1,170,000 and the share price on that date was £2.33.

In the year ended 30 June 2019, options were exercised on 18 January 2019. The share price on that date was £1.35.

In the year ended 30 June 2018, options were exercised on 31 July 2017 and 9 February 2018. The weighted average share price on those dates was £2.52.

Options outstanding under the Company's share option schemes at 30 June 2019 were as follows:

	2019	2018			
Name of scheme	No of	No of	Calendar	Exercise	Exercise
	options	options	year of	period	price per
			grant		share
EMI Share Option Scheme	400,057	422,857	2014	2014-2024	£0.51
EMI Share Option Scheme	200,000	200,000	2014	2014-2024	£1.55
EMI Share Option Scheme	73,808	73,808	2015	2015-2025	£2.07
EMI Share Option Scheme	71,472	96,472	2015	2015-2025	£2.23
EMI Share Option Scheme	105,000	105,000	2016	2016-2026	£1.32
EMI Share Option Scheme	55,000	65,000	2016	2016-2026	£1.06
EMI Share Option Scheme	65,693	70,693	2017	2017-2027	£2.69
EMI Share Option Scheme	137,500	172,500	2017	2017-2027	£2.33
EMI Share Option Scheme	50,000	-	2019	2019-2029	£1.00
LTIP Share Option Scheme	937,686	937,686	2016	2016-2026	£0.01
LTIP Share Option Scheme	443,937	443,937	2017	2017-2027	£0.01
LTIP Share Option Scheme	1,634,507	-	2019	2019-2029	£0.01
Unapproved Share Option Scheme	229,759	229,759	2014	2014-2024	£0.51

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Share option schemes (continued)

The weighted average remaining contractual life of these options is 7.7 years (2018: 8.2 years).

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

The inputs into the option pricing model are as follows:

	2019	2018
Weighted average exercise price	£0.65	£0.65
Expected volatility	25.3%-44.4%	25.3%-42.2%
Expected life	5-8 years	5-6 years
Risk free interest rate	0.2%-1.9%	0.2%-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 £822,000 (2018: £1,204,000) related to equity-settled share-based payment transactions in the year.

20 Leases

The Group has adopted IFRS 16 before its effective date. This was done so that users of the financial statements would not see them restated in successive years due to the adoption of new accounting standards. On transition to IFRS 16, the Group recognised an additional £1,300,000 of right-of-use assets and £1,311,000 of lease liabilities, recognising the difference in retained earnings.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 5%.

The following expenses relating to leases were recognised during the period.

	2019 £000	2018 £000
Depreciation charge for right of use assets	264	220
Interest expense on lease liabilities	56	63
Short-term lease expense	108	87
Total cash outflow for leases	313	283

The carrying value of and additions to the Group's right of use assets are disclosed in note 11.

Leases (continued)

At 30 June, the Group had aggregate minimum lease payments under non-cancellable leases for office and other sites under IFRS 16 as follows:

Finance lease	2019 £000	2018 £000
Due within 1 year	224	256
Due within 2-5 years	184	385
Due in more than 5 years	-	23
	408	664

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 at the end of its initial 10 year term, which commenced in December 2013. Other than this there are no options for extension or termination and there are no residual value guarantees.

21 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 £107,000 (2018: £97,000) from Eagle Eye Technology Limited, a company in which Stephen Rothwell, a director of the Company, holds an interest. At 30 June 2019, £33,000 (2018: £48,000) was outstanding in respect of these services.

During the year the Group acquired sub-contractor building consultancy services with respect to the refit of the Group's Manchester office to the value of £5,000 (2018: £nil) from Paragon BC UK Limited, a company in which the husband of Lucy Sharman-Munday, a director of the Company, is a director. At 30 June 2019, £nil (2018: £nil) was outstanding in respect of these services.

During the year the Group provided services to the value of £1,200 (2018: £500) to Purple Wifi Limited, a subsidiary of So Purple Group Limited, a company in which Terry Leahy, a director of the Company, is a director. At 30 June 2019, £nil (2018: £nil) was outstanding in respect of these services.

None of the key management personnel of the Group owe any amounts to any company within the Group (2018: £nil), nor are any amounts due from any company in the Group to any of the key management personnel (2018: £nil).

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

22 Changes in accounting policies

This note explains the impact of the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* on the Group's financial statements.

Impact on the financial statements

As a result of the changes in the Group's accounting policies for the adoption of IFRS 15 and IFRS 16, prior year financial statements have been restated. The tables below show the adjustments recognised in the consolidated income statement for the period ending 30 June 2018 and consolidated statement of financial position as at 1 July 2017 and 30 June 2018.

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Changes in accounting policies (continued)

Income statement

	Year to 30 June 2018 as previously stated £000	Impact of IFRS 15			Impact of IFRS 16 Leases £000	Year to 30 June 2018 as restated £000
		Implementation revenue £000	Costs to obtain contracts £000	Costs to fulfil contracts £000		
Continuing operations						
Revenue	14,755	(974)	-	-	-	13,781
Cost of sales	(1,897)	422	-	-	-	(1,475)
Gross profit	12,858	(552)	-	-	-	12,306
Adjusted operating expenses	(14,872)	-	61	240	260	(14,311)
Loss before interest, tax, depreciation, amortisation and share-based payment charge	(2,014)	(552)	61	240	260	(2,005)
Share-based payment charge	(1,204)	-	-	-	-	(1,204)
Depreciation and amortisation	(1,416)	-	(57)	(237)	(220)	(1,930)
Operating loss	(4,634)	(552)	4	3	40	(5,139)
Finance expense	(22)	-	-	-	(63)	(85)
Loss before taxation	(4,656)	(552)	4	3	(23)	(5,224)
Taxation	887	-	-	-	-	887
Loss after taxation for the financial period	(3,769)	(552)	4	3	(23)	(4,337)
Foreign exchange adjustments	29	-	-	-	-	29
Total comprehensive loss attributable to the owners of the parent for the financial period	(3,740)	(552)	4	3	(23)	(4,308)
Basic loss per share (pence)	(14.83)	(2.17)	0.02	0.01	(0.09)	(17.06)

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Statement of financial position

	30 June 2017 As previously stated £000	Impact of IFRS 15			Impact of IFRS 16 Leases £000	30 June 2017 As restated £000
		Implementation revenue £000	Costs to obtain contracts £000	Costs to fulfil contracts £000		
Non-current assets						
Intangible assets	4,838	-	105	-	-	4,943
Contract fulfilment costs	-	-	-	177	-	177
Property, plant and equipment	246	-	-	-	1,300	1,546
	5,084	-	105	177	1,300	6,666
Current assets						
Trade and other receivables	3,576	-	-	-	-	3,576
Cash and cash equivalents	3,724	-	-	-	-	3,724
	7,300	-	-	-	-	7,300
Total assets	12,384	-	105	177	1,300	13,966
Current liabilities						
Trade and other payables	(3,348)	(282)	-	-	(255)	(3,885)
Non-current liabilities						
Deferred tax liability	(174)	-	-	-	-	(174)
Other payables	-	-	-	-	(1,056)	(1,056)
	(174)	-	-	-	(1,056)	(1,230)
Total liabilities	(3,522)	(282)	-	-	(1,311)	(5,115)
Net assets	8,862	(282)	105	177	(11)	8,851

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	30 June 2018 As previously stated £000	Impact of IFRS 15			Impact of IFRS 16 Leases £000	30 June 2018 As restated £000
		Implementation revenue £000	Costs to obtain contracts £000	Costs to fulfil contracts £000		
Non-current assets						
Intangible assets	5,506	-	109	-	-	5,615
Contract fulfilment costs	-	-	-	180	-	180
Property, plant and equipment	224	-	-	-	1,277	1,501
	5,730	-	109	180	1,277	7,296
Current assets						
Trade and other receivables	4,059	-	-	-	-	4,059
Current tax receivable	302	-	-	-	-	302
Cash and cash equivalents	1,472	-	-	-	-	1,472
	5,833	-	-	-	-	5,833
Total assets	11,563	-	109	180	1,277	13,129
Current liabilities						
Trade and other payables	(4,089)	(467)	-	-	(256)	(4,812)
Financial liabilities	(1,100)	-	-	-	-	(1,100)
	(5,189)	(467)	-	-	(256)	(5,912)
Other non-current liabilities						
Other liabilities	-	(367)	-	-	(1,055)	(1,422)
Total liabilities	(5,189)	(834)	-	-	(1,311)	(7,334)
Net assets	6,374	(834)	109	180	(34)	5,795

The Group applied each of IFRS 15 and IFRS 16 using the retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2017.

23 Alternative performance measure

EBITDA is a key performance measure for the Group and is derived as follows:

	2019	2018 (restated)
	£000	£000
Loss before taxation	(2,807)	(5,224)
Add back:		
Finance income and expense	276	85
Share-based payments	822	1,204
Depreciation and amortisation	2,423	1,930
EBITDA	714	(2,005)

24 Net debt

	30 June 2018 £000	Cash flow £000	Foreign exchange adjustments £000	30 June 2019 £000
Cash and cash equivalents	1,472	(160)	51	1,363
Financial liabilities	(1,100)	(1,500)	-	(2,600)
Net cash/(debt)	372	(1,660)	51	(1,237)

25 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 18 for information on percentage shareholdings.

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**Company statement of financial position
as at 30 June 2019**

	Note	2019 £000	2018 £000
Non-current assets			
Investments in subsidiaries	4	7,630	6,824
Current assets			
Trade and other receivables	5	12,731	11,971
Cash and cash equivalents		32	85
		12,763	12,056
Total assets		20,393	18,880
Current liabilities			
Trade and other payables	6	(2,766)	(1,323)
Net assets		17,627	17,557
Equity attributable to owners of the parent			
Share capital	7	255	254
Share premium	7	17,066	17,055
Share option reserve		3,236	2,430
Retained losses		(2,930)	(2,182)
Total equity		17,627	17,557

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 £748,000 (2018: £535,000).

These financial statements were approved by the Board on 16 September 2019 and signed on its behalf by:



L Sharman-Munday
Director



T Mason
Director

Company number: 08892109

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Company statement of changes in equity
for the year ended 30 June 2019

	Share capital £000	Share premium £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 July 2017	253	17,008	1,303	(1,647)	16,917
Loss for the financial year	-	-	-	(535)	(535)
Transactions with owners recognised in equity					
Exercise of share options	1	54	-	-	55
Issue costs	-	(7)	-	-	(7)
Fair value of share options exercised in the year	-	-	(77)	-	(77)
Share-based payment charge	-	-	1,204	-	1,204
	1	47	1,127	-	1,175
Balance at 30 June 2018	254	17,055	2,430	(2,182)	17,557
Loss for the financial year	-	-	-	(748)	(748)
Transactions with owners recognised in equity					
Exercise of share options	1	11	-	-	12
Fair value of share options exercised in the year	-	-	(16)	-	(16)
Share-based payment charge	-	-	822	-	822
	1	11	806	-	818
Balance at 30 June 2019	255	17,066	3,236	(2,930)	17,627

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 remuneration 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, based on the Directors' best estimate, takes account of 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 issued 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 is 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.

Critical accounting estimates and judgements (continued)

Share-based payment charge

The Company issues share options to certain employees of the Group. The Black Scholes model is used to calculate the appropriate charge for these options. The use of this model 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. In addition, the Directors estimate the percentage of options that are expected to vest considering the likelihood of achieving performance targets and employee churn rates. Should more options vest than estimated the charge would increase.

The total charge recognised by the Company in the year to 30 June 2019 is £nil (2018: £nil) with a capital contribution in a subsidiary company of £822,000 (2018: £1,204,000). Further information on share options can be found in note 19 to the consolidated financial statements.

3 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.

4 Investments

Investments in subsidiaries and joint ventures

	£000
Cost and net book value	
At 1 July 2017	5,697
Fair value of options exercised in the year	(77)
Share-based payment charge	1,204
At 30 June 2018	6,824
Fair value of options exercised in the year	(16)
Share-based payment charge	822
At 30 June 2019	7,630

Investment	Principal activity	Country of incorporation	Class and percentage of shares held and voting rights
Eagle Eye Solutions Limited ¹	Digital loyalty services	England & Wales	Ordinary 100%
Eagle Eye Solutions (North) Limited ¹	Dormant	England & Wales	Ordinary 100%
Eagle Eye Solutions Canada Limited ²	Digital loyalty services	Canada	Ordinary 100%
Eagle Eye Solutions Australasia Pty Limited ³	Digital loyalty services	Australia	Ordinary 100%

¹ The registered office address of this entity is 5 New Street Square, London, EC3A 4TW, UK

² The registered office address of this entity is 400-725 Granville Street, Vancouver, BC, V7Y 1G5, Canada

³ The registered office address of this entity is Level 21, 55 Collins Street, Melbourne 3000, Vic, Australia

The Group's 51% interest in Eagle Eye Solutions (Asia Pacific) Pty Limited was disposed of for A\$1 on 27 August 2018.

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5 Trade and other receivables

	2019	2018
	£000	£000
Amounts due from group undertakings	12,709	11,948
Prepayments and accrued income	11	19
Other receivables	11	4
	12,731	11,971

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.

6 Trade and other payables

	2019	2018
	£000	£000
Current		
Trade payables	124	91
Accruals and deferred income	42	132
Short-term borrowings	2,600	1,100
	2,766	1,323

7 Share capital

The authorised share capital of the Company at 30 June 2019 is 25,466,927 ordinary shares of 1p each.

	Number of shares issued and fully paid	Share capital £000	Share premium £000
At 1 July 2017	25,336,327	253	17,008
Issue of share capital	107,800	1	47
At 30 June 2018	25,444,127	254	17,055
Issue of share capital	22,800	1	11
At 30 June 2019	25,466,927	255	17,066

On 18 January 2019, the Company issued 1p ordinary shares pursuant to the exercise of employee share options. The total number of shares issued on that date was 22,800.

8 Related party transactions

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

9 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 18 for information on percentage shareholdings.