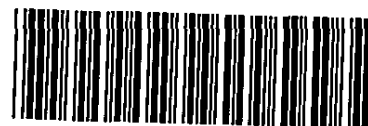


Annual Report and Accounts 2013
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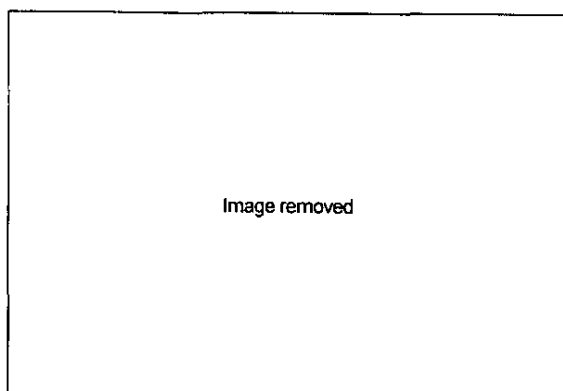
Highlights of the year

The major highlights are as follows:

- Group revenues increased 55% (22% pro forma¹) on 2012 to £23.3 million (2012: £15.0 million)
- Products Division revenues increased 34% pro forma on 2012 to £16.6 million (2012: £12.4 million)
- International revenues doubled from £3.3 million in 2012 to £6.7 million, representing 29% of the Group revenues as sales were made into more than 20 countries
- Class-leading RDC ground sensor launched during the second half of the period, winning a high-profile competitive tender and securing the Group's largest sale to date
- Notable sales successes in the period saw us double ThruVision's prior year unit sales and secure our first TVI sale to a multinational telecoms company, SingTel

¹ Assuming all prior period acquisitions occurred on 1 April 2011 and excluding all current year acquisitions

Chairman's statement



Tom Black, Chairman

Three years on from our IPO, Digital Barriers continues to generate significant momentum and traction, taking our portfolio of products built on genuinely world-class intellectual property (IP) to defence and security customers around the world.

Introduction and highlights

This last year has been a defining one for the Group in three respects. First, our strategy to focus on our most compelling and differentiated technologies has delivered pro forma growth within our Products Division of 34%, including a number of high-profile contract wins, this is double last year's 17% pro forma growth rate for the Division. Second, this period has seen international revenues more than doubling to £6.7 million (2012: £3.3 million), with sales into more than 20 countries across our target markets, 29% of the Group's revenues now come from outside the UK (2012: 22%). Finally, this period has seen our first significant sales of fully integrated solutions, combining multiple acquired technologies and further underpinning the potential of our business model, this includes the successful launch of our class-leading RDC ground sensor solution.

Three years on from its IPO, Digital Barriers continues to generate significant momentum and traction, taking our portfolio of products built on genuinely world-class IP to defence and security customers around the world. Our focus has now tightened onto three core product families – TVI, RDC and ThruVision – each one supplemented by additional technologies and capabilities from across the Group as we increase the pace of new product development to meet market demand. With the launch of RDC during the period, these three product families recorded 67% pro forma growth over 2012, and continue to generate significant market traction across all of our regions. These core areas now account for almost all of the Group's new technical development and planned product releases, as well as the majority of our sales pipeline. Towards the end of the period we added what we fully expect to be a fourth core product family, with the acquisition of class-leading facial recognition technology, OmniPerception.

Our Products Division grew more quickly than the overall Group, which grew at 22% pro forma (2012: 24%), including our UK Services Division that held flat despite the difficult economic conditions across the UK government market and related security sectors within which it operates.

The major highlights for the period are as follows

- **TVI's international market penetration:** Our TVI wireless video surveillance technology has continued to secure flagship customer sales around the world, selling into more than twenty different countries in the period. This included the selection of TVI by a major United States federal agency as its next generation video surveillance technology, leading to a development contract for the Group that will see a high-definition version of the technology reach the market in the second half of 2013.
- **New commercial markets for the Group:** The period has seen us develop our first propositions for the broader commercial sector, with TVI selected by SingTel as the delivery platform for its new Video Surveillance as a Service ('VSaaS') offering. TVI has significant potential in the telecoms sector and we expect this to form a more substantial part of our focus moving forwards, with a range of products built on our IP that are designed specifically for such customers, and including OEM and annuity license revenue models. We are also in discussions with similar partners for solutions based on our RDC and OmniPerception technologies.
- **Class-leading RDC product successfully launched:** Our RDC ground sensor has been designed to deliver class-leading performance for a traditionally defence sector technology at a more effective price point than incumbent products. RDC is oriented towards the wider homeland security and critical infrastructure sectors, whilst delivering a level of performance that has seen us win competitive contracts in the defence sector against market-leading competitors. We have fully integrated RDC with our TVI platform to provide a solution that can be applied to border, critical infrastructure and force protection, and which has secured the Group's largest sale during the period. We are now seeing increasing demand for the technology in Asia and the UK, with initial trials in the Middle East and North America.

- **Excellent progress with ThruVision acquisition:** The first year with the unique ThruVision technology under our ownership saw it deliver more than double its previous best annual unit sales. This technology is a safe, completely passive sensing system that is designed to see threat objects, such as guns and explosives, or smuggled contraband, concealed under multiple layers of clothing at standoff distances, indoors and outdoors. The technology generated significant press coverage when it was revealed as being behind a high-profile gun detection system under development for one of the main police departments in the United States. We also saw an important competitive sale to an Asian government customs agency, a major integrated sale including multiple ThruVision products for security operations in the Middle East, and a sale into a US customer for standoff detection of person-borne explosive devices.
- **Entry to high-growth biometrics market:** At the beginning of 2013 we acquired the OmniPerception facial and object recognition technology. We see biometric surveillance as a fourth core technology area for the Group, and believe that OmniPerception's near infrared facial recognition for consensual identity authentication and standoff facial recognition is highly differentiated. We are already seeing interest from multiple customer agencies around the world. Work is underway to enhance the OmniPerception product range by applying skills and capabilities from across the wider Group.
- **International sales model validated.** We have further strengthened the sales teams in each of our regional centres serving Asia Pacific, North America and the Middle East, and provided each location with the full technology demonstration facilities needed to manage customer and partner relationships. During the period we also saw initial sales traction in Brazil, leveraging the high-profile event credentials we gained in London during the period. We are now looking at replicating our model into other key countries that spend heavily on security and defence technologies.

- **Continued interest in US despite budget uncertainties** The Group continues to see strong interest in the United States for its products, but has seen some delays to sales closures caused by federal budget uncertainty and sequestration. Despite these delays, the sales pipeline in the United States remains solid and the Group's technology has been selected by a number of major government agencies, including the £400,000 development contract awarded by a major federal agency to enhance the Group's TVI platform, incorporating multi-agency requirements.

Results

Revenue in the year was £23.3 million. The Group's loss before tax was £10.8 million. We recorded an adjusted loss before tax of £7.6 million, after adding back amortisation of intangibles initially acquired on acquisition of £2.0 million, impairment of intangibles of £1.3 million, acquisition costs of £0.4 million, reorganisation costs of £0.8 million and deducting adjustments to deferred consideration of £1.4 million.

Consideration for acquisitions made in the year totalled £3.3 million, all of which was paid in cash. A further £0.8 million of cash was paid in the year as deferred consideration against current and prior year acquisitions. The cash balance at the end of the year was somewhat lower than expected at £5.5 million. This was largely due to strong trading in March, and an increasing number of material contract wins, which have resulted in a greater balance of cash being wound into on-going trading.

People

With the addition of Visimetrics and its OmniPerception subsidiary, and continued investment in sales resources across our regions, the Digital Barriers team has increased to 212 people at the year-end based across our London headquarters, our regional centres and satellite locations, and our subsidiary technology teams across the UK. We now have people from 13 nationalities working within the Group and I am immensely proud of the integrated culture we have built across so many locations over such a short a period of time.

Our recruitment focus during the period has been on sales resources within our regions, engaging directly with key customers and partners. We continue to invest heavily in sales and marketing to ensure that we can position our core technologies into the right organisations around the world.

Bernie Waldron joined the Board in July, replacing Rupert Keeley who resigned at the last Annual General Meeting. Bernie brings significant international sales experience, primarily from his time with IBM, and I am delighted to welcome him.

Outlook

With our proven technologies delivering strong revenue growth, increasing penetration of flagship customers and partners around the world and identified sales prospects substantially ahead of this time last year, I believe that Digital Barriers continues to have compelling growth prospects

In the coming period we will focus on three key areas

- **Continued strong revenue growth across our core product families:** Selling into flagship customers and partners in the UK, Asia Pacific, North America and the Middle East, and opening up sales channels into new markets such as Brazil is the primary focus of the Group. We expect the market traction we are seeing for our core technologies to underpin future revenue growth, and sales prospects for these products now accounts for the majority of our pipeline
- **Positioning our technology into the commercial sector** Opening up new markets for our IP, including telecoms and broader commercial sectors, provides the Group with a significant opportunity to leverage its IP across large multinational partners where we can reach a much wider customer base for our products than we could do directly. We believe this can be a significant addition to the Group, adding to its traditional security and defence customer base. This also brings the potential for annuity and licensed revenue models, in addition to hardware and software product sales
- **Continued development of integrated solutions** We will continue to bring technology and expertise from across the Group to enhance and further differentiate our core product families. Much of our on-going technical development will include the integration of multiple acquired technologies into solutions designed to address market needs. We will also focus on continual innovation of the world-class IP that underpins each of our core product families, ensuring that each one retains its market-leading position

I believe that continued success in our UK home market, backed up by strong growth in Asia Pacific, strong customer interest and initial sales traction in the Middle East and the selection of our core technologies by US customers, fully validates our strategy to sell integrated world-class surveillance technologies to the international defence and security sectors

The combination of this strong sales momentum and the quality of relationships we have built with key partners and customers around the world, combined with our increasing portfolio of world-class products and the strength of our engineering team, gives me confidence in our ability to grow revenue significantly and drive towards profitability. Our now proven business model and strategy gives the board confidence in the growth prospects of the Group

Business review

Introduction

The last year has seen Digital Barriers transition from its highly acquisitive phase to a defining period in which the company's international growth strategy has been validated. This was achieved by the strong sales traction of the company's three established core product families – TVI, RDC and ThruVision – into more than 20 countries outside the UK, including the US, the Middle East and Asia Pacific.

At the Group level, revenues grew 22% to £22.9 million on a pro forma basis. Growth in our Products Division was stronger at 34% (2012: 17%) and, within this, revenues from our core product families, from which we expect most of our future growth, increased by 67% on a pro forma basis. Our UK Services Division, with final integration completed during the period, moved into healthy profitability despite revenues remaining flat on the prior period. Group Gross Profit margin strengthened to 42.8% (2012: 40.4%) with our Products Division materially stronger than UK Services (47.9% and 29.0% respectively). Continued investment in international sales and marketing, and in the non-recurring costs of bringing RDC to market and turning ThruVision around, resulted in adjusted loss widening to £7.6 million (2012: £6.0 million).

Strategy

Our strategy is to provide advanced surveillance technologies to governments, multinational corporations and system integrators in the international defence, law enforcement, critical infrastructure, transportation and natural resources sectors. We specialise in delivering intelligent surveillance information from remote, hostile and complex operating environments and in applying intelligence as close as possible to the scene under surveillance. We have acquired 11 technology businesses, which have been integrated into a set of complementary product families. We have also established a regional presence in Asia Pacific, North America and the Middle East to engage directly with key customers and partners.

Market review

Our assessment of the growth potential offered by the government defence and security market remains unchanged. Global spending remains strong and there are no signs that the anticipated long-term sustained growth in spending is abating. Indeed, continued regional instability in the Middle East and North Africa in particular, together with continuing acts of terrorism in the US and elsewhere, reinforce the need for governments to spend on a range of security and rapid reaction defence tasks.

Digital Barriers has retained its focus on regions and countries where economic conditions are favourable and propensity to buy British security technology is high. In both the Middle East and much of Asia, significant funds are available for security spending now and in the long term. In addition, in newer potential markets for the company, such as Brazil, spending on core security projects is driven by these factors as well as specific events and local trends.

While the public spending climate in the UK remains challenging, the situation in the US deteriorated through the period. This has resulted in the start of a budget sequestration process to cap the spending of federal government agencies at materially lower levels. Despite this, US federal budgets for defence and security technology remain the largest in the world, with an on-going trend towards greater usage of more commercially available technology of the type that we offer.

Our strategy to date has been to focus on the international government market. However, the broader commercial security market continues to grow strongly and is less influenced by government budgets. We have been very encouraged by the initial traction we have established here, particularly in the telecoms sector, and have plans to broaden our TVI product family to exploit the potential this new market has to offer.

Technology

Overview

We have made substantial progress with our technology strategy in the last year. During the period we tightened our focus onto those core product families that offer us the greatest strategic opportunity for growth, namely TVI, RDC and ThruVision. Each of these technologies is highly disruptive, occupies a clearly differentiated position in the marketplace, is scalable internationally, and is built on class-leading intellectual property ('IP').

Beyond those technologies already under ownership, we identified biometrics as an additional attractive segment of our overall security market – in particular, we recognised that facial recognition technology offered the greatest potential synergy with our other core products. On this basis, we acquired Visimetrics in January 2013 to gain access to its world-class facial recognition product, OmniPerception.

With an enhanced focus on these core technologies, we have invested significantly in extending our product range. We are doing so to ensure that our products are attractive to a broader set of customers and that they remain ahead of the competition. We have supported this investment in product family development with sales and marketing campaigns tightly focused on the unique selling points of these products.

We have also concentrated on further differentiating our market position by combining our technologies. The most compelling example is that of our RDC unattended ground sensors and TriStar, our military specification surveillance 'hub' powered by TVI technology. This has driven major success in the UK and has also created new opportunities in the Middle East, Brazil and parts of Asia.

In the broader commercial security market, we have identified that the burgeoning 'Machine to Machine' ('M2M') sector in mobile telecommunications offers a significant opportunity for the Group and its TVI products. We have developed a TVI product specifically for this sector, which has already been sold to SingTel as the delivery platform for its new Video Surveillance as a Service ('VSaaS') offering. We are exploring further opportunities in the M2M and broader telecoms sector.

We also identified products within our portfolio that are capable of steady, on-going profitable growth ('mature products') and those that are not ('non-strategic products'). We are working on this latter small group to transfer the underlying intellectual property into the core product families.

TVI

TVI is our world-class wireless transmission technology for live video streaming. We have continued to generate significant interest in TVI and have made sales across all our target regions. In the UK, United States and Middle East for example, we have sold TVI into major law enforcement agencies ('LEAs') and specialist parts of the military.

We have developed a number of new capabilities in the past year. For example, with a £400,000 development contract from a major US government agency, we have been able to develop this live video streaming and distribution technology still further to meet the specific needs of the law enforcement sector. This will result in a high-definition version of TVI being available to the market later in 2013. This year has also seen the launch of our software based encoders for both Android and iOS platforms.

RDC

RDC is our Remote Detection and Classification ground sensor. We have generated real customer excitement, especially in the border control and force protection sectors, through deployments of this technology in several parts of the world. RDC itself is a class-leading product but when used as part of a surveillance system with TVI video products, it provides a genuinely disruptive capability to the defence and security market.

We launched the RDC product into the market in the autumn of 2012, and immediately beat more established ground sensor products to win our largest contract to date, valued at £3.6 million, for the provision of an integrated unattended ground sensor solution for a major UK customer. This win has added further impetus to discussions with governments in all regions, giving us confidence that in the coming year we will see significant growth.

ThruVision

ThruVision provides a passive standoff scanning capability for concealed object detection, for example to identify weapons, drugs or explosives hidden under clothing. This is a truly differentiated product on the international market, with unique capabilities, portability and standoff range.

Post the acquisition of ThruVision in early 2012, we relaunched its main product with new features and at a new price point. This led to a number of key contract awards: £300,000 to an existing US customer for the detection of person-borne improvised explosive devices ('IEDs'), £400,000 to a major Asia government customs agency for passenger screening, and orders totalling £1,125,000 to a specialist partner working in the Middle East and Africa for the protection of high-profile government locations. We sold more than twice as many systems in the period than ThruVision had sold in the year prior to its acquisition.

With referenceable sales now achieved in all our regions around the world, and covering the border security, counter-IED, high-profile building protection and loss prevention markets, we enter the new period with a strong pipeline to build from.

OmniPerception

OmniPerception, acquired by Digital Barriers alongside its parent company Visimetrics in January 2013, provides a highly differentiated capability in the field of compliant and non-compliant standoff face recognition and identity management. We are at a relatively early stage in bringing these products to the level of commercial maturity we require, but have already attracted significant interest in this technology from customers in each of our priority markets. Notably, we received an order for more than £300,000 for OmniPerception to work alongside ThruVision systems for a Middle East deployment.

International development

Export sales are a critical part of our growth strategy and we have continued to invest in strengthening and broadening our international sales force in Asia-Pacific, the US and the Middle East, from hubs in Singapore, Washington DC and Dubai, respectively. Fully integrated sales force management means that, despite running a highly distributed sales force, identified sales prospects are substantially stronger than this time last year.

Our strategy of focusing on 'flagship customers' – typically key government agencies – in each region continues to be successful in supporting market entry. On the back of our work for London 2012, and with substantial support from the UK Government's defence export teams, we have also commenced a targeted market entry into Brazil – which offers significant potential – and we are refining our entry strategy for other potentially sizeable markets.

Asia-Pacific

Of all our export regions, we have been operating in Asia-Pacific for the longest and our early focus on direct sales in Singapore, Hong Kong and the Republic of Korea has generated significant success in the period. Substantive trialling of RDC, first in Korea, and more recently Australia, has been successful and we have added local sales resource to both countries to build momentum for the coming year.

We have also had major success with ThruVision in the region. The £400,000 purchase of ThruVision equipment by a flagship customs agency in Asia Pacific was the significant highlight but we are also actively pursuing other opportunities with customs and border security agencies in the region, where contraband and drug smuggling are major issues.

Asia-Pacific has also been the first region in which we have successfully exploited a mixed revenue model in the M2M market. The contract with SingTel for the provision of video surveillance as a solution, while important in its own right, provides a model for other opportunities in this sector both in Asia and other regions.

It has been a highly successful year in this region and we are confident that we will continue this growth across an even broader customer base next year.

United States

We achieved steady penetration of the US market in the period. As our most mature technology, TVI was trialled very successfully by a number of flagship government customers and this led to a strategically important sale to a key agency to develop the next generation TVI platform with support for high-definition video. This gives us confidence that TVI is competitively well positioned across the defence, homeland security and law enforcement areas of the US Government.

The US has been pivotal in the development of our ThruVision capabilities. The joint development and testing with a major police department of a next generation system for detecting concealed weapons at even greater standoff ranges has been a major technical success and resulted in wide press coverage. We expect to continue developing this exciting capability.

The US Government budget sequestration caused a number of programmes of interest to us to be delayed materially, but we remain well positioned when new budgetary priorities are established. Given the US remains the biggest single market in which we operate, we have expanded our sales presence in our Washington DC office.

Middle East

Our priorities in the Middle East remain the United Arab Emirates (UAE), Qatar and the Kingdom of Saudi Arabia (KSA). We have built a permanent presence in the region with the addition of locally-based specialist sales and technical staff in our Dubai office.

The initial traction gained with law enforcement customers has been built on in the past year. We have made strategically significant initial TVI sales to flagship law enforcement customers in three countries and have seen strong interest in RDC with a number of trials on-going. In addition to the major partner sale of ThruVision into the region, we have also generated significant interest directly with flagship customers in the region around airport, customs and VIP security.

We are confident that the foundations we have laid in building relationships and carrying out trials with flagship customers in the Middle East leave us well placed to make significant progress in the region in the coming year

Emerging Markets

In the past year we have carefully identified those new regions that we believe offer the most long-term potential for growth and where the Digital Barriers technology portfolio would be most relevant. The highest priority of these regions is Brazil, where we have launched our market entry strategy in close co-ordination with the Foreign Office and UKTI.

Early indications show that there is a large appetite for our products among flagship government customers in Brazil and funded programmes available. We have gained considerable early traction with TVI and RDC. Indeed, we have already made our first sale of TVI in Brazil to a flagship government customer in support of the major sporting events to be held over the next few years in the country. We see considerable potential for growth in this market across our core technologies.

Operational review

Products Division

Our Products Division performed very strongly, with reported revenues growing by 96% to £17.0 million (2012: £8.7 million) and pro forma revenues growing by 34% to £16.6 million (2012: £12.4 million). This performance was driven by solid export progress and by some major successes in the UK. Within this, our core product families – TVI, RDC and ThruVision – grew 67% to £8.4 million on a pro forma basis.

At the divisional operating profit level, losses widened to £1.5 million (2012: £0.9 million). This was due principally to continued investment in getting RDC to market, turning ThruVision around and investing more heavily in demonstration stock for our international sales force, being offset by much more profitable performance of our mature products.

Export

With our substantial investment in international sales and marketing, export product revenues more than doubled to £6.7 million (2012: £3.3 million). This was led by Asia Pacific but included sales into more than 20 countries. We expect to see continued strong growth of export sales moving forward.

UK

Against a backdrop of on-going budget pressure, UK product revenues grew by 92% to £10.3 million (2012: £5.4 million). This growth was characterised by steady, underlying growth of run-rate revenues streams that were in place in businesses prior to our acquisition, supplemented by a number of very substantial contracts wins.

We were delighted with our major UK contract wins during the period, including the use of our technology for high-profile event security in London. This has given us immediate credibility in Brazil and Qatar, where we are already involved in customer trials and demonstrations.

We expect continued strong progress in the UK market for our Products Division.

Services Division

Our Services Division operates exclusively in the UK market and installs high-grade security systems, including Digital Barriers products, into some of the most highly secure sites in the country. Against a backdrop of on-going budget pressure, the Division delivered headline revenues of £6.3 million, in line with the prior year. Whilst maintaining our market position, we have also concentrated on driving efficiencies, resulting in divisional operating profit of £0.7 million (2012: £0.1 million).

The Division successfully completed a major contract for high-profile event security in London. This both built the brand and helped secure further new client wins in the period. Despite continuing budget pressure, we believe the Division can deliver modest, profitable growth moving forward.

Overheads

Continued heavy investment in international sales and marketing was primarily responsible for our increased spending on overheads of £6.9 million (2012 £5.3 million). This increase included expanding regional sales teams in Middle East and Asia-Pacific, expanding our pre-sales team, exhibiting at a number of key regional defence and security events and greater travel costs. We expect these investments to continue, although increasing at a level materially below our revenue growth.

Performance Indicators

We monitor a number of metrics, both financial and non-financial, on a monthly basis. The most important of these are as follows:

- Revenue: £23.3 million for the year under review (2012: £15.0 million),
- Pro forma organic revenue growth: 22% for the year under review, growing from £18.7 million to £22.9 million (2012: 24%),
- International revenues: 29% (2012: 22%),
- Gross margin: 42.8% for the year under review (2012: 40.4%),
- Sales & Marketing costs: £3.8 million for the year (2012: £2.5 million),
- Corporate overheads: £3.0 million for the year (2012: £2.8 million),
- Number of employees: 212 at 31 March 2013 (2012: 183), and
- Cash: £5.5 million at 31 March 2013 (2012: £15.3 million).

The Board is satisfied with the status of the above performance indicators given the current stage of the Group's development.

Financial review

For the year ended 31 March 2013, Digital Barriers delivered revenue of £23.3 million (2012 £15.0 million) generating an adjusted loss before tax of £7.6 million (2012 loss £6.0 million) and adjusted loss per share of 16.45 pence (2012 loss 12.83 pence). On an unadjusted basis, the loss before tax was £10.8 million (2012 loss £4.1 million) and loss per share was 21.78 pence (2012 loss 8.11 pence).

Revenue and margins

Of the £23.3 million of revenue in year, £22.9 million was delivered from existing product and service revenue streams, and £0.4 million was contributed by acquisitions in the period.

The increase in revenue over the prior period was £8.3 million (55%). On a pro forma basis (assuming all prior year acquisitions occurred on 1 April 2011 and excluding all current year acquisitions) revenue in the year was £22.9 million, an increase of £4.2 million (22%) on the prior year.

The only significant acquisition in the year was that of Visimetrics (UK) Limited, which took place on 4 January 2013.

Results by division are discussed below, with pro forma revenues split out for clarity.

	Reported 2013 £'000	Pro forma 2013 £'000	Reported 2012 £'000	Pro forma 2012 £'000
Revenue				
Services	6,289	6,289	6,324	6,324
Products				
Core technologies ⁽ⁱ⁾	8,421	8,421	3,248	5,039
Mature ⁽ⁱⁱ⁾	4,705	4,288	3,441	3,662
Non-strategic ⁽ⁱⁱⁱ⁾	3,857	3,857	1,983	3,655
	16,983	16,566	8,672	12,356
	23,272	22,855	14,996	18,680

(i) Core technologies: greatest strategic opportunity for growth.

(ii) Mature products: established in the market and capable of steady on-going profitable growth.

(iii) Non-strategic products: underlying IP being transferred into Core product families.

Revenue from the Services Division remained flat on the prior year at £6.3 million, reflecting a year of client account consolidation whilst driving efficiencies, resulting in a £0.6 million (414%) increase in segmental operating profit to £0.7 million.

All of the increase in Group revenue is from the products division. With a much lower level of acquisition activity than in previous years, revenue growth has been primarily organic and most significantly from our Core technologies, which alone have delivered pro forma revenue of £8.4 million, an increase of £3.4 million (67%) on the prior year. By contrast, our Mature products grew by £0.6 million (17%) to £4.3 million, and our Non-strategic products grew by £0.2 million (6%) to £3.9 million, all on a pro forma basis.

	Services 2013 £'000	Products 2013 £'000	Total 2013 £'000
Revenue	6,289	16,983	23,272
Segment profit/(loss)	735	(1,455)	(720)
Corporate overheads			(6,886)
Adjusted Group operating loss			(7,606)
Interest			(31)
Adjusted Group loss before tax			(7,637)

Revenue in the year was split 73% / 27% (2012 58% / 42%) between products and services respectively. The continued trend towards products reflects the on-going strategic focus of the Group and has continued to drive the improvement in gross margin, increasing from 40.4% to 42.8%.

The services gross margin increased to 29.0% in the year (2012 20.8%), reflecting the efficiency gains made and a higher proportion of more profitable installation and maintenance work compared to the prior year. The products gross margin was 47.9% (2012 54.7%). The decrease was driven by the significant progress made with ThruVision which currently trades at a lower gross margin than our other core products, lower margin third party product included within some of our solution sales, and some modest discounting across all of our products to drive international market traction.

Adjusted loss

An adjusted loss before tax figure is presented as the Directors believe that this is a more relevant measure of the Group's underlying performance. For the year this was £76 million (2012 £60 million) and is detailed in the table below

	2013 £'000	2012 £'000
Loss before tax	(10,756)	(4,102)
Add back		
Amortisation of intangibles initially recognised on acquisition	2,029	2,024
Acquisition costs	369	754
Adjustments to deferred consideration ⁽ⁱ⁾	(1,384)	(5,004)
Gain on bargain purchase	–	(152)
Reorganisation costs ⁽ⁱⁱ⁾	769	510
Impairment of intangibles ⁽ⁱⁱⁱ⁾	1,336	–
Adjusted loss before tax	(7,637)	(5,970)

(i) Relates to the reassessment of the likely deferred consideration payable for Zimiti and the release of deferred consideration payable against the LMW and e Tech acquisitions, partly offset by the unwind of discount against deferred consideration

(ii) Relates to the rationalisation of the organisational and geographical design, information systems and support functions within both the services and products divisions. As the expenditure relates to transforming the divisions for the future these costs are not directly related to current operations

(iii) Relates to the investments in Keeneo, Waterfall and Codestuff, the performance of which has been below the level used to determine the intangible assets initially recognised on acquisition

The adjusted loss in the year has been driven by three key trends

- continued and increasing investment in sales and marketing required to drive international expansion,
- on-going investment in core technologies, specifically bringing RDC to market and turning around ThruVision, and
- higher depreciation charges as a result of increased investment in demonstration stock to drive the international sales pipeline and one-off write downs on fixed assets within acquired businesses

Taking into account the significant depreciation charge in the year of £0.8 million (2012 £0.2 million), the Group's underlying adjusted loss before tax and depreciation was £6.8 million (2012 £5.8 million)

Other corporate overheads have only increased modestly during the year, and the Group continues to reduce unnecessary administration costs and overheads where appropriate, as reflected in the level of exceptional reorganisation costs

Central overheads are broken down as follows

	2013 £'000	2012 £'000
Sales and marketing	3,824	2,498
Other corporate overheads		
Board and Plc operating costs	1,628	1,484
Operations, finance and facilities	1,098	1,177
LTIP charge	336	159
	3,062	2,820
Total	6,886	5,318

Taxation

As a result of losses acquired through acquisitions and central overheads we do not expect to pay the full rate of UK corporation tax for a number of years. The tax credit for the period of £0.8 million (2012 £0.6 million) principally relates to R&D tax credits

At 31 March 2013, the Group had unutilised tax losses carried forward of approximately £26.4 million (2012 £19.6 million). Given the varying degrees of uncertainty as to the timescale of utilisation of these losses, the Group has not recognised £5.6 million (2012 £3.6 million) of potential deferred tax assets associated with £23.7 million (2012 £14.8 million) of these losses

At 31 March 2013, the Group's net deferred tax liability stood at £0.4 million (2012 £0.4 million), relating to acquired intangible assets of £1.8 million (2012 £1.6 million), offset by £1.4 million (2012 £1.2 million) relating to tax losses

Loss per share

The reported Loss per share is 21.78 pence (2012 loss 8.11 pence). The adjusted Loss per share is 16.45 pence (2012 loss 12.83 pence)

Cash and treasury

The Group ended the year with a cash balance of £5.5 million (2012: £15.3 million)

During the course of the year £3.3 million was paid to acquire new businesses, with an additional £0.4 million in associated costs, and a further £0.8 million was paid in deferred consideration in respect of current and prior period acquisitions. £13.8 million funded the Group's operating loss and working capital requirements, and the remaining cash outflow during the year of £1.5 million was invested in fixed assets including demonstration stock. In January 2013 a further £10.0 million in cash was raised through the issue of new Ordinary Shares, net of placing costs of £0.4 million.

Aside from funding the Group's operating loss during the year, the cash outflow represents the significant investment made in demonstration stock to drive interest and growth in the sale of the Group's products, and the material amount of sales made at the end of the financial year. The latter is reflected in the high level of receivables as at 31 March 2013, which are expected to unwind into an improved cash position in the early months of the next financial year.

The maximum deferred consideration payable in the future in respect of acquisitions made to date is £8.6 million, of which up to £5.4 million may be satisfied through the issue of new Ordinary Shares. As at 31 March 2013, £0.9 million has been provided for within the accounts. The Directors are of the opinion that any deferred consideration payments falling due will be largely self-financing, and so view the majority of the £5.5 million of cash held at the end of the year as being available to the Group to fund future losses and working capital.

Financing costs included a charge of £0.1 million in respect of the discounting of the deferred consideration for Zimti Limited, Stryker Communications Limited, LMW, e-Tech and Visimetrix (UK) Limited.

Dividends

The Board is not recommending the payment of a dividend (2012: £nil).

Principal risks and uncertainties

The Directors believe the following risks to be the most significant for the Group. However, the risks listed do not necessarily comprise all those associated with the Group. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company.

Risks relating to the Group's business

1. International expansion

The Group's future success will depend in part on its ability to continue to expand its operations internationally. Such expansion is expected to place significant demands on management, support functions, accounting, financial control, sales, marketing and other resources and would involve a number of risks, including

- developing good relationships with customers and partners, and exploiting these to deliver sales of the Group's capabilities,
- ensuring capabilities are delivered successfully to customers and partners, obtaining appropriate contractual sign-off and maintaining good levels of customer satisfaction,
- recruiting appropriately skilled staff,
- putting in place appropriate governance and controls, including meeting appropriate legal and financial obligations, and
- ensuring the Group obtains and is compliant with appropriate export control legislation.

Mitigation

A robust recruitment process is in place for all Group employees ensuring that required skills are available to the Group to facilitate international expansion. In addition significant research is undertaken prior to establishment in a new territory utilising both in-house expertise and external sources.

The Group is now operating from regional offices in four key geographical markets all on different continents. In addition an international sales operation, targeting key geographies and partners, has been established in order to ensure that the major markets and customers are identified and addressed. The sales pipeline is monitored on a weekly basis in order that sales performance below expectation can be identified and actions taken quickly to rectify the position.

A formal management structure to ensure that divisional managers have responsibility for project delivery, governance and compliance is in place throughout the Group with a formal reporting structure into the Board to ensure that issues are identified early and remedial action taken where appropriate.

2. Dependence upon key intellectual property

The Group's success depends in part on its ability to protect its rights in its intellectual property. It may be possible for third parties to obtain and use the Group's intellectual property without the Group's authorisation and as such the Group may become involved in litigation which could be costly and time consuming.

Mitigation

The Group relies upon various intellectual property protections, including patents, copyright, trademarks, trade secrets and contractual provisions to preserve its intellectual property rights. These are reviewed regularly to ensure the Group is adequately protected in the most appropriate manner at all times.

3. Competition

The Group has experienced, and expects to continue to experience, competition from a number of companies. This competition may take the form of new products and services that better meet industry needs and competitors who respond more quickly to client requirements. In addition competitors may have greater financial or technical resources than the Group.

Mitigation

A careful watching brief is maintained on competitors to enable the Group to react quickly to any change in circumstance or technical developments. In addition the opportunity to acquire additional leading edge technologies is monitored on an on-going basis to ensure that the Group is able to maintain a first-class portfolio of products. In addition, existing products are being developed and utilised in new and innovative ways to meet client needs and achieve differentiation.

4. Key management

The Group depends on the founding Directors and other senior managers with specific sector and industry knowledge, and in addition on the recruitment and retention of the services of its key technical, sales, marketing and management personnel both in the UK and overseas. Competition for such personnel can be intense, and the Group cannot give assurances that it will be able to attract or retain such staff.

Mitigation

The Remuneration Committee annually takes external independent advice as to the appropriate remuneration structure and median market levels in respect of the Executive Directors. The outcome of the review undertaken in March 2013 is detailed in the Remuneration Report.

A robust recruitment process is in place for all Group employees ensuring that required skills are available to the Group. In addition internal review processes have been established to ensure, as far as possible, that employees are motivated and that suitable remuneration structures are in place.

5 Delivery

The reputation of the Group depends on effective and timely delivery of its products and services to clients. Technology failure and/or failure to deliver promised services in a timely and efficient manner in accordance with the contract terms could have a significant impact on the reputation and hence future growth of the Group.

Mitigation

In accordance with the tender process all potential contracts are subject to risk assessment to ascertain technical complexity, IP compatibility, available internal resource and delivery timescale. A project plan is formulated to ensure that, should the contract be obtained, the Group is able to deliver the project in accordance with the contract terms.

6. Foreign business, political and economic risks

The successful full penetration of overseas markets by the Group may take longer than the Directors currently expect.

The Group contracts and expects to contract with various entities from around the world including prime system integrators, value added resellers and directly with overseas clients. As a result, the Group is exposed to foreign business, political and economic risks including managing customer and supplier relationships from outside of their jurisdiction, political and economic instability, less developed infrastructures, interest rate and currency instability, exposure to possible litigation in foreign jurisdictions, competition from foreign-based service providers and the existence of protectionist laws and business practices that favour such providers.

Mitigation

Prior to the establishment of an overseas office or the acceptance of an overseas contract, a detailed review, in accordance with the delegated authority schedule is undertaken to ensure the risks are identified and mitigated where possible. It is anticipated that the proportion of the Group's business contracted in currencies other than Sterling will increase, making consolidated results and net assets more subject to exchange rate fluctuations. Translation movements are not hedged but the Group has a policy of hedging material transactions in foreign currencies.

7. Acquisitions

There can be no guarantee that the Group will successfully identify any further companies or businesses meeting the objectives of its stated strategy and may be unable to effect an acquisition or investment where there is an identified opportunity and, as a result, resources may be expended on investigative work and due diligence without a transaction being completed.

Further, the Group may encounter other issues arising post-acquisition, including

- the potential rapid growth in certain product based acquisitions giving rise to a requirement for significantly higher working capital, which could place a strain on the Group's cash resources,
- the difficulty of assimilating operations and the personnel of acquired companies into the Group's operations,
- the potential disruption of on-going business and distraction of management,
- additional operating losses and expenses of acquired businesses,
- the difficulty of integrating acquired technology and rights into the Group's products and services and unanticipated expenses related to such integration,
- the impairment of relationships with customers of acquired businesses as a result of the integration, and
- the impairment of relationships with employees of acquired businesses as a result of integration.

Mitigation

Prior to acquisition comprehensive technical, legal and financial due diligence is undertaken in order to ensure a full understanding of the business being acquired. Once acquired, a process of integration management is implemented including regular reporting to the Board on progress so that any issues are highlighted at an early stage.

8. Government spending

A significant portion of the Group's revenues are generated from UK and other international central government agencies. Continued pressures on Government spending within certain territories may materially and adversely affect the Group's business, operating results or financial condition.

Mitigation

It is the strategy of the Group to widen the client base, on a global basis, to diversify Group revenue whilst maintaining appropriate relationships with central government both within the UK and in other territories.

9. Further issues of Ordinary Shares

It may be desirable for the Company to raise additional capital by way of the further issue of Ordinary Shares to enable the Company to progress through further stages of development. Any additional equity financing may be dilutive to shareholders. There can be no assurance that such funding, if required, will be available to the Company.

Mitigation

The Group continues to explore all sources of capital funding to ensure it is best placed to be able to deliver against its stated strategy.

10. Claims by third parties

While the Directors believe that the Group's products and other intellectual property do not infringe upon the proprietary rights of third parties, there can be no assurance that the Group will not receive infringement claims from third parties which could be both costly and time consuming.

Mitigation

Where appropriate the Group will confirm the validity of its intellectual property via patent and trademark searches and will robustly defend such claims if appropriate.

11. System failures and breaches of security

The successful operation of the Group's business depends upon maintaining the integrity of the Group's computer, communication and information technology systems which are vulnerable to damage, breakdown or interruption from events which are beyond the Group's control.

Mitigation

All systems are backed up on a regular basis and appropriate investment is made in the infrastructure of systems within the Group to maintain appropriate standards of integrity and security.

Overview

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Directors' biographies

Tom Black, (53) Executive Chairman

Image removed

Tom is the Executive Chairman of Digital Barriers plc. Prior to joining Digital Barriers, Tom spent over 20 years with Detica Group plc, following studies at the Universities of Strathclyde and Oxford. He worked

with clients in the national and homeland security arena and the commercial sector and held a broad range of senior management positions, culminating in his appointment as Chief Executive in 1995. Tom led the £12 million management buyout of Detica in 1997 and the Group's flotation on the London Stock Exchange in April 2002. He then oversaw the acquisition of Detica by BAE Systems in 2008 for £538 million, at which time Detica was a business with revenues of over £200 million and around 1,600 staff. He is currently a Non-Executive Director of Pinnacle Technology Group plc and Herald Investment Trust plc, a director of Grantdean Ltd and Vantage Racing Ltd, and a trustee of the Black Family Charitable Trust.

Colin Evans, (45) Group Managing Director

Image removed

As Group Managing Director, Colin is responsible for the day-to-day management of Digital Barriers, including its UK and international operations. Colin has 20 years' experience working in the defence, intelligence and

homeland security domains, delivering complex technology systems and advanced security solutions to clients in the government sector. Prior to joining Digital Barriers, Colin worked for Detica Group plc, where he was Group Chief Operating Officer with responsibility for day-to-day management of the business and a particular focus on driving the growth of the government business across the UK and US. He is also experienced in accelerating hi-tech business growth, developing senior client and partner relations and integrating acquired businesses.

Zak Doffman, (41) Group Development Director

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As Group Development Director, Zak is responsible for the overall strategic direction of Digital Barriers, for acquiring businesses into the Company, and for international development. He has spent the last

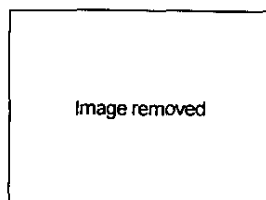
15 years working across the technology and professional services sectors on the management and structuring of strategic and acquisition-driven organisational change. Zak joined Digital Barriers from Detica Group plc, where he was Group Strategy Director with responsibility for all areas of corporate strategy, acquisitions and organisation development. Before Detica, Zak spent nine years at Andersen Consulting (later Accenture), working across a number of industry sectors.

Nik Holgate, (38) Group Finance Director

Image removed

As Group Finance Director, Nik is responsible for all aspects of financial management and reporting in the Group. Nik joined Digital Barriers in August 2011 and is a Fellow Chartered Accountant by

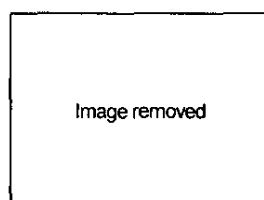
training, having started his career at PricewaterhouseCoopers. Prior to joining Digital Barriers, he served in a number of senior finance roles at both small and large corporates including BSKyB plc and Aegis Group plc. Nik graduated from the University of Cambridge with a BA (Hons) in Engineering and Management Studies.

Bernie Waldron, (55) Non-Executive Director

Bernie was appointed a Non-Executive Director on 1 July 2012. He has more than 30 years' experience in the global technology marketplace including positions as Director of Strategy for IBM

Corporation, based in New York, General Manager of IBM's Industrial Sector business for Europe, Middle East and Africa, and Executive Chairman of the former Maersk Data Group of companies, based in Copenhagen

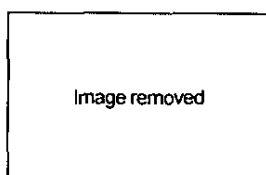
He is a Non-Executive Director of Node4 Limited, IPPlus plc, Process Systems Enterprise Limited and Venture Partnership Foundation Limited and is a Board mentor for Criticaleye. He was formerly a Non-Executive Director of KNEIP Communications S A in Luxembourg and a Visiting Professor at Cass Business School. Bernie has an MA in Mathematics from Cambridge University. Bernie is the Senior Independent Director, Chairman of the Remuneration and Nomination Committees and serves on the Audit Committee of Digital Barriers plc.

Paul Taylor, (48) Non-Executive Director

Paul was appointed a Non-Executive Director on 1 April 2012. He is a qualified Certified Accountant who started his career at Price Bailey Partners in 1986, and has subsequently served in a number of senior finance

roles. Paul has spent most of his career at AVEVA Group plc and served as Group Finance Director from March 2001 to December 2010. During this period revenues increased from £28 million to £164 million resulting in pre tax profit of £63 million and a market capitalisation of over £1 billion. He is currently Non-Executive Director and Chairman of the Audit Committee of Escher Group Holdings plc, Ubisense Group plc and Anite plc, and a Non-Executive Director of KBC Advanced Technologies plc.

Paul is Chairman of the Audit Committee and serves on the Remuneration and Nomination Committees of Digital Barriers plc.

John Woolhead, (52) Company Secretary

John is responsible for the core Company Secretarial function within the Group. John qualified as a Chartered Secretary in 1987 and has previously acted as Company Secretary to Eve Group plc,

Peterhouse Group plc and Detica Group plc. John is Secretary to the Board and acts as Secretary to the Board Committees.

Directors' report

The Directors of Digital Barriers plc (the 'Company') present the Annual Report to shareholders together with the audited financial statements of the Company and its subsidiaries for the period ended 31 March 2013

The purpose of the Annual Report is to provide information to members of the Company. The Company, its Directors, employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. It contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and except to the extent required by applicable regulations or by law, the Group undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

References to the Code in this report are to the 2010 UK Corporate Governance Code ('the Code'). The Directors have agreed that the Company would report against the Code even though the Company is listed on AIM with lesser Corporate Governance requirements.

Principal activities

The principal activities of the Group are the provision of advanced surveillance technologies to the security and defence sectors. Further information can be found within the Business review section on pages 6 to 11.

Going concern

The Group and Company's business activities, together with factors likely to affect future development, performance and position are set out in the Chairman's statement on pages 2 to 5, the Business review on pages 6 to 11 and the review of principal risks and uncertainties on pages 14 to 17. The financial position, cash flows and liquidity position are described in the Financial review on pages 12 to 17. In addition, notes 15 and 21 to the financial statements include the Group and Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

Forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Company and Group will be able to operate within the level of current funding resources. Given this and in view of the cash reserves of £5.5 million held on the balance sheet, the Directors are satisfied that the Company and the Group have adequate resources to continue operating for the foreseeable future. For this reason they have adopted the going concern basis in preparing the accounts.

Business review

The information satisfying the Business review requirements is set out in this report: the Chairman's statement on pages 2 to 5, the Business review on pages 6 to 11, the Financial review on pages 12 to 17, the review of the principal risks and uncertainties on pages 14 to 17 all of which are incorporated into this report by reference. The Corporate governance report forms part of this Directors' report and is incorporated into it by reference.

Group results

The Group's consolidated income statement set out on page 44 shows a loss for the period of £9.9 million (2012: £3.5 million).

Dividends

The Directors are not recommending a dividend in respect of the year ended 31 March 2013 (2012: Nil).

Governance

Digital Barriers is committed to maintaining high standards of Corporate governance. Whilst the Group is not bound by the provisions of the 2010 UK Corporate Governance Code ('the Code') the Board endeavours, so far as is practical, to comply with the Code. During the year under review the Board has developed the internal controls and processes to ensure as far as possible compliance with the Code.

Further explanation of how the principles of the Code have been applied is given in the Corporate governance section of this report on pages 26 to 33 and in connection with Directors' remuneration in the relevant section of the Remuneration report on pages 34 to 40.

Share capital

The issued share capital of the Company together with details of movements in the Company's issued share capital during the financial period are shown in note 18 to the financial statements. As at the date of this report, 50,959,590 Ordinary Shares of 1 pence each ('Ordinary Shares') were in issue and fully paid with an aggregate nominal value of £509,595. In addition, 217,500 Incentive Shares of £1 each ('Incentive Shares') were in issue and fully paid with an aggregate nominal value of £217,500.

The holders of Ordinary Shares are entitled to receive the Company's reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies, and to exercise voting rights. To be effective, electronic and paper proxy appointments and voting instructions must be received at the Company's registered office, or such other place in the United Kingdom specified in the relevant notice of meeting, not later than 48 hours before a general meeting. Subject to applicable statutes, there are no restrictions on transfer or limitations on the holding of Ordinary Shares and no requirements for prior approval of any transfers other than:

- certain restrictions may from time to time be imposed by laws and regulations (for example insider trading laws), and
- pursuant to the Company's share dealing code whereby the Directors and certain senior employees of the Company require approval to deal in the Company's shares.

None of the shares carry any special rights with regard to control of the Company. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

The holders of Incentive Shares are not entitled to receive notice of, to attend, to speak at or to vote at general meetings of the Company (other than in respect of a class meeting of the holders of Incentive Shares). The Incentive Shares do not confer a right to be paid a dividend. The transfer of Incentive Shares is prohibited except in limited circumstances. Additional details regarding Incentive Shares are given on page 37.

The Company established an Employee Benefit Trust ('EBT') in 2010 which in certain circumstances holds shares in connection with the Group's employee share incentive plans. As the registered holder, the voting rights in the shares are exercisable by the trustee. However, the trustee does not ordinarily exercise those rights. At 31 March 2013, the EBT did not hold any shares in the Company.

Changes to the Articles of Association of the Company (the 'Articles') may only be amended by a special resolution at a general meeting of shareholders.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control. Further details of the Directors' service contracts can be found in the Remuneration report on page 39.

The provisions of the Company's LTIP may cause options and awards granted to employees under such schemes and plans to vest on a change of control. The Incentive Shares currently in issue will vest immediately in the event of a change of control.

Issue of shares

At the general meeting held on 27 December 2012 shareholders granted authority to the Board under the Articles and section 551 of the Companies Act 2006 (the 'Act') to exercise all powers of the Company to allot relevant securities up to an aggregate nominal amount of £169,865.

It is proposed at the forthcoming AGM to renew the authority to allot relevant securities up to an aggregate nominal amount of £169,865, being 33% of the nominal value of the current issued share capital.

Also at the general meeting held on 27 December 2012, shareholders granted authority to the Board under the Articles and section 570(1) of the Act to exercise all powers of the Company to allot equity securities wholly for cash up to an aggregate nominal amount of £25,479 without application of the statutory pre-emption rights contained in section 561(1) of the Act.

It is proposed at the forthcoming AGM to renew the authority to allot relevant securities wholly for cash up to an aggregate nominal amount of £25,479 being 5% of the current nominal value of the issued share capital, without application of the statutory pre-emption rights.

Directors' report continued

Purchase of own shares

It is proposed at the forthcoming AGM to renew the authority for the Company to make market purchases of its own shares provided that

- the minimum price which may be paid for any such Ordinary Share is 1 pence (exclusive of expenses and appropriate taxes),
- the maximum price (exclusive of expenses and appropriate taxes) which may be paid for any such Ordinary Share shall be not more than 5% above the average of the middle market value for an Ordinary Share in the Company as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase, and
- the maximum number of shares subject to this authority will be limited to 5,095,959 shares representing 10% of the issued Ordinary Share Capital of the Company

Except in relation to a purchase of Ordinary Shares, the contract for which was concluded before this authority expires and which will or may be executed wholly or partly after such expiry, the authority granted shall expire at the conclusion of the AGM to be held in 2014. The Directors will only use this authority having taken into account market conditions at the time of purchase, other investment opportunities, the effect on Earnings per Share and the impact on shareholders and the overall position of the Company at that time.

Significant agreements – change of control

The Incentive Shares as described in more detail on page 37 will immediately vest on a change of control following a takeover bid.

A change of control of the Company following a takeover bid may cause a number of other agreements to which the Company or its subsidiaries are party to take effect, alter or terminate. These include client contracts, leases, supplier contracts and provisions relating to the LTIP. No other individual contract is considered to be significant in terms of its potential impact on the business of the Group as a whole.

Substantial shareholdings

As at 28 May 2013, the Company was aware of the following shareholdings representing 3% or more in the Company's existing issued Ordinary Share Capital:

	No of shares	Percentage of issued share capital
F&C Asset Management	7,106,097	13.94
Newton Investment Management	6,873,628	13.49
Tom Black	3,960,215	7.77
Herald Investment Management	3,489,375	6.85
Schroder Investment Management	3,326,730	6.53
Aviva Investors	3,015,333	5.92
Artemis Investment Managers	2,859,408	5.61
M&G Investment Management	2,672,600	5.24
Old Mutual Global Investors	2,540,065	4.98
Henderson Global Investors	1,722,636	3.38

Directors

The names and biographical details of the current Directors of the Company are given on pages 18 and 19. All Non-Executive Directors are considered to be independent and Bernie Waldron is the Senior Independent Director.

Tom Black, Colin Evans and Zak Doffman were appointed Directors on 8 February 2010, prior to the IPO. Nik Holgate was appointed a Director on 30 August 2011, Paul Taylor on 1 April 2012 and Bernie Waldron on 1 July 2012.

Chris Banks and Rupert Keeley both stepped down from the Board at the conclusion of the AGM held on 25 July 2012.

The rules on appointment, reappointment and retirement by rotation of Directors are contained in the Articles. A Director may be appointed by shareholders' ordinary resolution or by the Board. The current Articles require that all Directors are subject to election at the first AGM following appointment and thereafter to re-election at least every three years. Accordingly Bernie Waldron is submitting himself for re-election at the forthcoming AGM. Following review the Board believes that all Directors have performed well during the year and that their individual participation and experience within the sector and markets in which the Group operates adds considerably to the Group's ability to deliver its objectives.

Directors' interests

Details of the interests in the shares of the Company of the Directors holding office as at the date of this report, and their immediate families appear in the Remuneration report on page 40.

Details of the Directors' service contracts and letters of appointment appear in the Remuneration report on page 39.

No Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. Procedures for dealing with Directors' conflicts of interest are in place and are operating effectively.

Directors' and Officers' indemnities and insurance

The Company maintains liability insurance for its Directors and Officers. The Directors and Officers have also been granted a qualifying third party indemnity provision under the Companies Act 2006. That indemnity provision has been in force throughout the year and remains in force at the date of this report.

Research and development

The Group is active in the development of software and hardware in respect of security related products and services and intends to remain so involved in the future. In the period under review expenditure totalling £2.3 million relates to development of hardware and software products.

Employees

At 31 March 2013, the Group employed 212 people predominantly in the United Kingdom, and depends on the skills and commitment of its employees in order to achieve its objectives. Personnel at every level are encouraged to make their fullest possible contribution to Digital Barriers' success.

Employees are kept regularly informed on matters affecting them and on issues affecting the Group's performance through a variety of communications tools, including business unit briefings and distribution of public announcements made in respect of the Group.

The Group introduced a Long Term Incentive Plan for certain employees in 2010. Details are given in the Remuneration report on pages 36 and 37.

The Board is committed to ensuring that a culture free from discrimination and harassment remains embedded within the Group and discrimination of any sort is not tolerated. Proper consideration is given to applications for employment from disabled people who are employed whenever suitable vacancies arise. Wherever practicable, staff who become disabled during employment are retained. The Group practices equality of opportunity for all employees, irrespective of ethnic origin, religion, political opinion, gender, marital status, disability, age or sexual orientation.

Directors' report continued

Pensions

The Group does not operate any defined benefit pension funds. As a consequence of some of the acquisitions made a number of defined contribution schemes are in operation in the Group.

Corporate and Social Responsibility

The Board recognises the importance of relationships with the wider community and its obligations to employees, shareholders, customers, suppliers, the local community and others. Given the early stage development of the Group a formal Group policy has yet to be implemented. Individual business units operate on a basis that appropriate account is taken of such matters in view of the type of operation and the markets in which they operate.

Through procedures that are currently in place, Digital Barriers aims to

- meet all legislative requirements in respect of environmental issues,
- seek to conserve energy and natural resources by minimising waste, recycling where possible and maximising the use of renewable resources,
- adopt the highest standards of business ethics in all our dealings, and
- ensure all contractors follow its practices whilst working on its sites and respond promptly and efficiently to adverse occurrences.

Environmental

The Board believes that the environmental impact of the Group's operations is low and consists mainly of building occupancy, business travel including a motor fleet and IT.

Through procedures that are currently in place, Digital Barriers aims to

- use video and audio conferencing facilities where possible to reduce travel requirements,
- use electronic communications to reduce the amount of printing waste produced,
- recycle waste where possible, and
- purchase paper and other products that are manufactured from recycled products.

Health and Safety

The Group aims to provide and maintain a safe environment for all employees, customers and visitors to its premises and to comply with relevant Health and Safety legislation. Day-to-day Health and Safety management is delegated to business unit heads with oversight from the Company Secretary. External audit and advice is utilised as appropriate.

Financial instruments

The Group's financial risk management objectives and policies are discussed in the Financial review on pages 12 to 17 and in notes 15 and 21 to the financial statements.

Post balance sheet events

No reportable events have occurred since the balance sheet date.

Supplier payment policy

It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms based upon the satisfactory completion of contractual obligations and timely receipt of an accurate invoice. Trade creditor days of the Group for the period ended 31 March 2013 were 24 calculated in accordance with the requirements set down in the Companies Act 2006.

Charitable and political donations

No political donations were made during the period. Charitable donations amounted to £500 (2012: nil).

Disclosure of information to the auditor

So far as each Director in office at the date of approval of this report is aware, there is no relevant audit information of which the Company's external auditor (Ernst & Young LLP) is unaware

Each of the Directors has taken all steps that they ought to have taken in performing their roles as Directors to exercise due care, skill and diligence in order to make themselves aware (i) of any relevant audit information and (ii) to establish that the Company's external auditor is aware of such information

For the purposes of this statement on disclosure of information to the external auditor, 'relevant audit information' is the information needed by the Company's external auditor in connection with the preparation of its report on page 42

Annual General Meeting

The AGM will be held at Enterprise House, 1-2 Hatfields, London SE1 9PG on Monday, 22 July 2013 at 2 00 pm. The notice convening the meeting is on pages 86 and 87 together with details of the business to be considered and explanatory notes relating to each of the resolutions being proposed

Auditor

Ernst & Young LLP has expressed its willingness to continue as auditor of the Company. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming AGM.

Approved by the Board of Directors and signed on behalf of the Board

John Woolhead
Company Secretary
Enterprise House
1-2 Hatfields
London SE1 9PG



Registered in England and Wales No. 07149547

28 May 2013

Corporate governance report

This report for shareholders sets out Digital Barriers' approach to the provisions contained in the 2010 UK Corporate Governance Code ('the Code') published by the Financial Reporting Council in June 2010, available at www.frc.org.uk. As an AIM listed company, Digital Barriers plc is not obliged to follow the Code but the Board has determined that the Company will seek to follow the Code as far as practicable. Accordingly this report has been prepared following the main principles of the Code. Those provisions not referred to in this report are dealt with elsewhere in the Annual Report.

The Board

Digital Barriers recognises its responsibility to provide entrepreneurial and responsible leadership to the Group within a framework of prudent and effective controls (described below) allowing assessment and management of the key issues and risks impacting the business. The Board sets Digital Barriers' overall strategic direction, reviews management performance and ensures that the Group has the necessary financial and human resources in place to meet its objectives. The Board is satisfied that the necessary controls and resources exist within the Group to enable these responsibilities to be met.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness.

Operational management of the Group is delegated to the Executive Directors and Business unit heads who meet regularly to discuss such matters. These matters include project delivery, sales, customer relationships and initial due diligence on mergers and acquisitions.

At the date of this report the Board comprises four Executive and two Non-Executive Directors whose Board and Committee responsibilities are set out below.

		Board	Audit	Remuneration	Nomination
Tom Black	Executive Chairman	Chairman	–	–	–
Bernie Waldron	Non-Executive Director and Senior Independent Director	Member	Member	Chairman	Chairman
Colin Evans	Group Managing Director	Member	–	–	–
Zak Doffman	Group Development Director	Member	–	–	–
Nik Holgate	Group Finance Director	Member	–	–	–
Paul Taylor	Non-Executive Director	Member	Chairman	Member	Member

Paul Taylor was appointed on 1 April 2012 and Bernie Waldron was appointed on 1 July 2012. Chris Banks and Rupert Keeley stepped down from the Board on 25 July 2012.

After careful review the Board has concluded that Paul Taylor was independent throughout the year and that Bernie Waldron was independent on appointment and that both remain independent at the date of this report. In addition the Board concluded that Chris Banks and Rupert Keeley were independent from 1 April 2012 to 25 July 2012. In coming to these assessments the Board considered the strength of character and independence of judgement and opinion and the fact that none of them

- has ever been an employee of the Group,
- has had a material business relationship with the Group,
- receives any remuneration other than fees,
- has close family ties with advisors, other Directors or senior management of the Group,
- has significant links with other Directors through involvement with other companies,
- represents a significant shareholder, and
- has served on the Digital Barriers board for more than nine years.

Chris Banks and Rupert Keeley stepped down from the Board on 25 July 2012 at the conclusion of the 2012 AGM. Chris Banks was chair of the Audit and Nomination Committees and Senior Independent Director and Rupert Keeley was chair of the Remuneration Committee until that date.

On 25 July 2012 Paul Taylor took over as chair of the Audit Committee and Bernie Waldron took over as chair of the Remuneration and Nomination Committees. Bernie Waldron was appointed Senior Independent Director on 18 October 2012.

In the period under review the Board met on 11 scheduled occasions, further meetings and conference calls are held as and when necessary. Details of Directors' attendance at scheduled meetings during the year are set out in the table below

	Scheduled Board meetings attended
Tom Black	11/11
Colin Evans	11/11
Zak Doffman	11/11
Nik Holgate	11/11
Paul Taylor	11/11
Bernie Waldron	8/8
Chris Banks	4/4
Rupert Keeley	4/4

During the year the Chairman met with the Non-Executive Directors without the Executives present on several occasions

The Board also ensures that the principal goal of the Company is to create shareholder value, while having regard to other stakeholder interests and takes responsibility for setting the Company's values and standards. Accordingly, the long-term interests of shareholders, together with consideration of the wider community of interests represented by employees, customers and suppliers, and community and the environment are factored into the Group's management processes. They are reinforced through employee participation in Equity Incentive Schemes. The steps taken to achieve these goals are communicated to shareholders and other interested parties through the Company's website (www.digitalbarriers.com) and to employees via formal and informal briefings. Through formal policies the Board seeks to engender a culture where business ethics, integrity and fairness are values that all employees endorse and apply in their everyday conduct.

There is a documented schedule of matters reserved for the Board, the most significant of which are

- responsibility of the overall strategy and management of the Group,
- approval of strategic plans, profit plans and budgets and any material changes to them,
- approval of the acquisition or disposal of subsidiaries and major investments, projects and contracts,
- oversight of the Group's operations ensuring competent and prudent management, sound planning and management of adequate accounting and other records,
- changes relating to the Group's capital structure,
- final approval of the annual and interim financial statements and accounting policies,
- approval of the dividend policy,
- ensuring an appropriate system of internal control and risk management is in place,
- approval of changes to the structure, size and composition of the Board,
- review of management structure and senior management responsibilities,
- with the assistance of the Remuneration Committee, approval of remuneration policies across the Group,
- delegation of the Board's powers and authorities including the division of responsibilities between the Chairman and the Group Managing Director,
- consideration of the independence of the Non-Executive Directors, and
- receiving reports on the views of the Company's shareholders

During the period the Board received monthly briefings upon the Group's performance (including detailed commentary and analysis) and key issues and risks affecting the Group's business. Amongst other matters, it reviewed the content of the Group's risk register and the Group's Health & Safety policies, processes and performance. Reports on Group operations, human resources, governance and regulatory matters affecting the Group were provided to the Board on a regular and timely basis. Briefings on market activity, together with the views of shareholders, were also provided to the Board.

The Company maintains liability insurance for its Directors and Officers. The Directors and Officers have also been granted a qualifying third party indemnity provision under the Companies Act 2006. That indemnity provision has been in force throughout the year and remains in force at the date of this report.

Corporate governance report continued

Procedures exist to allow the Directors to seek independent legal and professional advice in respect of their duties at the Company's expense where the circumstances are appropriate. All Directors have access to the Company Secretary for advice.

The Chairman periodically meets individually or collectively with the Non-Executive Directors in the absence of Executive Directors. The process for appraising the Chairman's performance is set out on page 32.

Board Committees

Summary

There are three principal Board Committees: Audit, Remuneration, and Nomination. The roles and responsibilities of each of these Committees is detailed below. All members of Board Committees are independent Non-Executive Directors. The Committees are provided with sufficient resources via the Company Secretary and, where necessary, have direct access to independent professional advisors to undertake their duties.

Audit Committee

Chris Banks was a member and Chairman of the Audit Committee until 25 July 2012 following which Paul Taylor was appointed Chairman of the Committee. Paul Taylor was a member of the Committee during the year under review and to the date of this report. Rupert Keeley was a member of the Committee until 25 July 2012. Bernie Waldron was appointed to the Committee on 1 July 2012 and served on the Committee for the remainder of the year under review and to the date of this report. Paul Taylor is a qualified Certified Accountant. Consistent with the guidance on Audit Committees, all members of the Committee are independent Non-Executive Directors. Paul Taylor (and Chris Banks) is deemed by the Board to have recent and relevant financial experience and are independent for the purposes of the Code. All of the Committee members have extensive commercial experience, the details of which, along with their qualifications, are set out on page 19. Further information on the Company's application of the Code and on the Audit Committee and its work during the year is given below.

Terms of reference

The Audit Committee's terms of reference (available on request and published on the Group's website) comply with the Code. The Audit Committee reviewed and re-approved its terms of reference in March 2013 including, amongst other matters, their continued compliance with the requirements of the Code. Under its terms of reference, the Committee is responsible for providing advice to the Board on the Group's interim results and final financial statements, on accounting policies, and on the control of its financial and business risks as well as reviewing the work of the external auditors.

Frequency of meetings

The Audit Committee met three times during the year under review. The Chairman of the Audit Committee provided a report on the work of the Committee and any significant issues that may have arisen at the Board meeting following each Committee meeting.

Attendees at meetings

The Chairman, the Group Managing Director and the Group Finance Director attend Committee meetings by invitation of the Committee. Representatives of the Group's external auditor also attend these meetings by invitation. During the period the external auditors attended all meetings, had direct access to the Committee during the meetings and time was also set aside for them to have private discussions (jointly and independently) with the Committee, in the absence of management.

The attendance of individual Committee members at Audit Committee meetings during the year is shown in the table below.

	Meetings attended
Paul Taylor	3/3
Bernie Waldron	2/2
Chris Banks	1/1
Rupert Keeley	1/1

Audit Committee activity

The purpose of the Audit Committee is to assist the Board in the discharge of its responsibilities for financial reporting and corporate control and to provide a forum for reporting by the external auditors. The responsibilities of the Committee include:

- to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Group's financial performance, including reviewing significant financial reporting judgements and any disclosures contained in them,
- to review the Group's internal financial controls and its internal control and risk management systems and to make recommendations to the Board,
- to consider the requirement for an internal audit function,

- to make recommendations to the Board, for it to be put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor,
- to agree the nature and scope of the external audit,
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements,
- to review the Group's policy on the engagement of the external auditor to supply non-audit services and report to the Board, identifying matters in respect of which it considers action or improvement is needed and make recommendations as to the steps to be taken,
- to review the Group's whistle-blowing procedures, and
- to review the effectiveness of the audit process

The Committee's work during the period and up to the date of this report included

- reviewing the Interim Results, Preliminary Announcement and the Annual Report and Accounts prior to their submission to the Board,
- reviewing significant accounting policies, financial reporting issues and judgements used in the preparation of the Company's Preliminary Announcement and Interim results and Final financial statements,
- reviewing management's Letters of Representation in connection with the Company's financial statements and the Auditor's Management Letter,
- reviewing areas where control weaknesses had been identified by the external Auditor and monitoring the mitigation and remediation plans of management,
- reviewing the regular reports of the external auditor including any weaknesses identified in respect of the Group's internal controls,
- approving the external audit plan (including audit scope, level of materiality, resources dedicated to the audit engagement, the seniority, expertise and experience of the engagement team), and satisfying itself as to the appropriateness and adequacy of the plan,
- evaluating the performance of the external auditor and satisfying itself as to the effectiveness of the audit,
- reviewing the Group's risk management processes and controls, and their effectiveness,
- reviewing the effectiveness of the Group's whistle-blowing procedures and satisfying itself that they allow for appropriate investigation and suitable follow up actions, and
- reviewing the effectiveness of the Committee

At the conclusion of each meeting of the Audit Committee, the Non-Executive Directors met with Ernst & Young without the Executives present. In addition the Audit Committee Chair met with Ernst & Young to discuss the audit review process

External auditor

The Committee is responsible for overseeing the relationship with the external auditor

During the year, the Committee

- approved the Audit Engagement Letters and fee proposal, and satisfied itself as to the auditor's ability to conduct an effective audit for such fee,
- reviewed and assessed the external auditor's independence and objectivity taking into account relevant UK professional and regulatory requirements. In doing so the Committee reviewed the external auditor's own policies and procedures to safeguard its objectivity, independence and integrity, together with its representations as to independence. The Committee received assurances from the Audit Engagement Partner that the external auditor's reward and remuneration structure includes no incentives for audit engagement partners to cross-sell non-audit services to audit clients,
- approved the annual Audit Plan and ensured that it was consistent with the scope of the Audit Engagement,
- reviewed the findings of the audit, including discussion of any major issues arising, any accounting and audit judgements and the internal control reports (including responses from management and any proposed remedial action),
- reviewed the effectiveness of the audit and the external auditor, and
- reviewed the requirement for an internal audit function

Auditor independence

The Audit Committee and the Board consider auditor objectivity and independence ensuring, in particular, that it is not compromised where the auditor provides non-audit services. It is the Group's policy to use the services of advisors other than the external auditors for non-audit work unless the nature of the non-audit work makes it more timely, efficient or cost-effective to select advisors who already have a good understanding of the Group. The Chairman of the Audit Committee is consulted prior to each major non-audit engagement where the use of the auditor is proposed. During the period under review the non-Audit related work undertaken by Ernst and Young related to corporation tax returns and advice in respect of the taxation of employees located overseas.

Details of audit and non-audit related fees paid to Ernst & Young in the period under review are given in note 4 to the accounts on page 58.

Internal audit function

The Committee concluded that an internal audit function is not appropriate given the current stage of the Group's development.

Reappointment of Ernst & Young LLP

Ernst & Young LLP were appointed as external auditor to the Company on IPO. There are no contractual restrictions on the Company with regard to its appointment.

At its meeting in May 2013, the Audit Committee considered the appropriateness of the re-appointment of Ernst & Young LLP as the Group's external auditor for the year to 31 March 2014.

The Committee was satisfied, in view of their performance in respect of the 2013 audit process that it should recommend to the Board the re-appointment of Ernst & Young LLP as the Company's and Group's external auditor at the AGM to be held on 22 July 2013.

Remuneration Committee

Rupert Keeley was Chairman of the Remuneration Committee from 1 April 2012 until he stepped down from the Board on 25 July 2012. Bernie Waldron was appointed Chairman of the Committee on 25 July 2012 and remains in that position at the date of this report. Chris Banks was a member of the Committee from 1 April 2012 until he stepped down from the Board on 25 July 2012. Paul Taylor was appointed to the Committee on 1 April 2012 and remains a member at the date of this report.

The Committee is responsible for reviewing remuneration arrangements for the Executive Chairman, the Executive Directors and other senior employees of the Group and for providing general guidance on aspects of remuneration policy throughout the Group. New Bridge Street are retained as independent external advisors in order to assist the Committee in setting appropriate remuneration arrangements.

During the year the Committee made recommendations to the Board regarding

- basic salary and other benefits of the Executive Directors and other senior employees of the Group,
- the introduction of a revised Bonus Scheme for certain Executive Directors for the year commencing 1 April 2013,
- remuneration of the Executive Chairman,
- amendments to the vesting conditions of the Incentive Shares held by Tom Black, Colin Evans and Zak Doffman,
- amendments to the Long Term Incentive Plan, and
- awards to be made under Group Equity Incentive Schemes.

The terms of reference of the Committee comply with the Code, are available on request and are published on the Group's website. The Chairman of the Committee provided a report to the Board following each meeting of the Committee.

The attendance of individual Committee members at Remuneration Committee meetings during the year under review are shown in the table below.

	Meetings attended
Bernie Waldron	4/4
Paul Taylor	8/8
Chris Banks	5/5
Rupert Keeley	5/5

The Directors' Remuneration report is set out on pages 34 to 40.

Nomination Committee

Chris Banks was chairman of the Nomination Committee from 1 April 2012 until he stepped down from the Board on 25 July 2012. Bernie Waldron was appointed to the Committee on 1 July 2012 and as Chairman of the Committee on 25 July 2012 and remains in that position at the date of this report. Rupert Keeley was a member of the Committee from 1 April 2012 until he stepped down from the Board on 25 July 2012. Paul Taylor was a member of the Committee during the year under review and at the date of this report.

The Committee meets as and when required. During the year under review it met twice and details of Directors' attendance at those meetings are set out in the table below. The appointment of Bernie Waldron was approved by the Nomination Committee during the year under review. Company executives and advisors attend meetings by invitation only. The Committee updates the Board and makes recommendations as and when required.

The terms of reference of the Nomination Committee are available on request and are published on the Group's website. The Committee is responsible for succession planning at Board level, overseeing the selection and appointment of Directors and making its recommendations to the Board. It is also responsible, in conjunction with the Executive Chairman, for evaluating the commitments of individual Directors and the balance of skills, knowledge and experience on the Board and ensures that the membership of the Board and its principal Committees are refreshed periodically. Where appropriate, the Committee will prepare an outline of the role and capabilities required for particular appointments and use an external search consultancy and/or advertising in relation to Board appointments.

During the period under review and up to the date of this report, the Committee met and made recommendations to the Board regarding

- the appointment of Bernie Waldron as a Non-Executive Director,
- the proposed election of Bernie Waldron at the forthcoming AGM, and
- the proposed re-election of Zak Doffman at the forthcoming AGM.

The appointment of Bernie Waldron as a Non-Executive Director was undertaken during the year. A detailed specification for the role was prepared in order to facilitate the identification of suitable candidates. A search consultant was retained in order to assist the search and prepare a shortlist for consideration. A number of candidates were met by the Nomination Committee and the Executive Chairman with the recommended candidate being met by the other Directors prior to appointment.

The attendance of individual Committee members at Nomination Committee meetings during the year and up to the date of this report is shown in the table below.

	Meetings attended
Bernie Waldron	1/1
Paul Taylor	3/3
Chris Banks	2/2
Rupert Keeley	2/2

Chairman and Group Managing Director

There is a clear division of responsibilities between the roles of Chairman (who serves in an executive capacity) and the Group Managing Director which is set out in writing and which has been approved by the Board.

Board balance

As at the date of this report, the Board comprises four Executive Directors and two Non-Executive Directors.

Biographies of each of the current Directors, their responsibilities and principal Board Committee memberships can be found on pages 18 and 19.

During the period all the Non-Executive Directors and the Executive Chairman confirmed to the Board that they had sufficient time available to fulfil their obligations as Directors and, should any individual's position change, that they would inform the Board.

The Board considers all Non-Executive Directors to be independent. Tom Black is Executive Chairman, Colin Evans Group Managing Director, Zak Doffman Group Development Director and Nik Holgate Group Finance Director. Bernie Waldron is a Non-Executive Director, the Senior Independent Director and Chairman of the Remuneration and Nomination Committees. Paul Taylor is a Non-Executive Director and Chairman of the Audit Committee.

Appointments to the Board

Appointments to the Board and its Committees are reserved for the Board, based on recommendations from the Nomination Committee. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole.

Corporate governance report continued

Information and professional development

Under the Chairman's stewardship the Company Secretary advises the Board on all governance matters, and ensures Board procedures are followed and applicable rules and regulations complied with

The Company Secretary ensures that Directors undergo a comprehensive induction programme on appointment

All Directors individually, and each of the Board Committees, have access to the advice and services of the Company Secretary. There are also procedures in place enabling Directors in the furtherance of their duties to seek independent professional advice at the Company's expense

Performance evaluation

A formal appraisal process for the Board and its Committees was undertaken during the year. This was an internal process using detailed questionnaires completed by all relevant Directors and collated and summarised by the Company Secretary. As a result of this process certain actions were agreed and are being implemented

The questionnaire in respect of the Board, the Remuneration and the Nomination Committees covered objectives and strategy, management oversight, Board performance, meetings, external relationships, governance and Board/Committee constitution. The questionnaire in respect of the Audit Committee covered terms of reference, membership, meetings, training and resources, financial reporting, internal controls and risk management, internal and external audit process, whistle-blowing, Board relationships, and communications with shareholders

The results of the exercise were discussed by the Board who concluded that the Board and its Committees were operating effectively

During the year the Chairman reviewed the performance of the Executive Directors. The Senior Independent Director reviewed the performance of the Chairman, and the Board reviewed the performance of the Non-Executive Directors. As part of this process the training needs of all Directors were reviewed

The process confirmed that all Directors continued to contribute effectively, and with sufficient commitment to their roles in order to facilitate the progress of the Group

It is anticipated that the review exercise will be repeated annually

Re-election

The current Articles require that all Directors are subject to election by shareholders at the first AGM following appointment and thereafter to re-election at least every three years

The Annual General Meeting ('AGM') of the Company will be held on 22 July 2012. Bernie Waldron will be offering himself for election given that he was appointed since the AGM held in 2012. In accordance with the Articles of Association Zak Doffman is offering himself for re-election at the AGM

Internal control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing the effectiveness of those controls. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. By their nature however, internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material errors, losses, fraud or breaches of laws and regulations

The systems of internal control have matured during the year as the Group has developed. The effectiveness of these systems has been periodically reviewed by the Audit Committee and the Board. The internal control process is in accordance with the FRC Guidance on Internal Control (revised Oct 2005)

The systems of internal control are based on an on-going process of identifying, evaluating and seeking to manage key risks and include the preparation and refreshment of Group risk registers, together with appropriate risk mitigation activities along with the other risk management processes as set out below. With oversight from the Board and Audit Committee, individual members of the Group's Board are responsible for the ownership and mitigation of significant risks. The Audit Committee and the Board, regularly review the identified risks, changes in their status, and the composition of the Group's risk matrix

Key elements of the internal control system are described below

- clearly defined management structure and delegation of authority to Board Committees and business units,
- high recruitment standards to ensure integrity and competence of staff,
- regular and comprehensive information provided to management, covering financial and non-financial performance indicators,
- technical, financial and legal due diligence undertaken prior to acquisitions,

- a detailed budgeting process where business units prepare budgets for the coming year for Board approval,
- monthly monitoring and re-forecasting of annual and half-yearly results against budget, with major variances followed up and management action taken where appropriate,
- procedures for the approval of capital expenditure, investments and acquisitions,
- regular review and updating of the Group risk register including the implementation of mitigating actions, and
- formal consideration of progress made against significant business risks on a quarterly basis

The above system was in place for the period under review and up to the date of this report and has been used in the preparation of the Consolidated Financial Statements as at 31 March 2013

The Board, with the assistance of the Audit Committee, has conducted its annual review of the effectiveness of the system of internal control based on a review of significant risks identified, external audits and reports from management and concluded that the system of internal control is adequate given the stage of the Group's development

Communication with investors

The Group believes it is important to explain business developments and financial results to its shareholders and to understand any shareholder concerns, and that suitable arrangements are in place to ensure a balanced understanding of the issues and concerns of major shareholders. The Chairman, Group Managing Director and Finance Director have primary responsibility for investor relations. Meetings are held with institutional shareholders to discuss strategy, financial performance and investment activities immediately after the full year and interim results announcements. Bernie Waldron, as Senior Independent Director, attended a number of these meetings in November 2012. The Annual Report and the interim results are available on the Company's website. All the Non-Executive Directors, including the Senior Independent Director, are available to meet with major shareholders, if such meetings are required. Further financial and business information is available on the Investor section of the Company's website.

During the year under review Bernie Waldron, as Chairman of the Remuneration Committee, wrote to and subsequently discussed with, a number of major shareholders regarding proposed changes to executive remuneration policy as outlined in the Remuneration report on pages 34 to 40.

Feedback from meetings with shareholders is provided to the Board to ensure that the Non-Executive Directors have a balanced understanding of the issues and concerns of major shareholders.

The principal method of communication with private shareholders is through the Annual Report and Interim Results, the AGM and through the Company's website.

AGM

Arrangements are made for all Directors to attend the AGM and to be available to answer shareholders' questions. Notice of the AGM is, in accordance with the applicable Companies Act and the Articles, either posted in hard copy to shareholders or posted on the Company's website at least 21 days before the date of the AGM. Resolutions are proposed for each substantially separate issue and details of the proxy voting on each resolution are announced at the AGM after the results of the show of hands is known and are posted on the Company's website following the conclusion of the meeting.

The Company counts all proxy votes and indicates the level of proxies lodged on each resolution. It also publishes the level of votes for and against resolutions and the number of votes withheld. The Company ensures that votes cast are properly received and recorded.

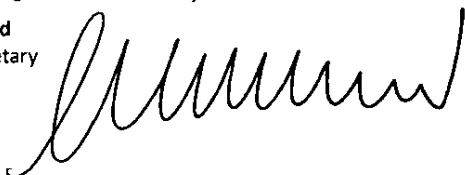
Separate resolutions are proposed on each substantially discrete subject and the Company does propose a resolution at the AGM relating to the Annual Report and financial statements.

Approval

The Corporate governance report and the Audit Committee report contained in this report have been approved by the Board and have been signed on its behalf by

John Woolhead
Company Secretary

28 May 2013



Remuneration report

Composition of the Remuneration Committee

The Board has appointed a Remuneration Committee of Non-Executive Directors of the Company. The Committee currently consists of Bernie Waldron (Chairman) who was appointed on 1 July 2012 and as Committee Chairman on 25 July 2012 and Paul Taylor who was appointed on 1 April 2012. Chris Banks (as Chairman) and Rupert Keeley were members of the Committee from 1 April 2012 until 25 July 2012 when they both stood down.

Members of the Remuneration Committee have no potential conflicts of interest arising from cross-directorships and they are not involved in the day-to-day running of the Company. Tom Black attends meetings by invitation and provides advice on matters other than those concerning himself.

The Remuneration Committee has appointed New Bridge Street to provide advice on executive remuneration including the valuation of awards under the Equity Incentive Programme. New Bridge Street (a trading name of Aon plc) is an independent advisor to the Remuneration Committee. Neither New Bridge Street nor any other part of Aon plc provided other services to the Company during the period under review.

Role of the Remuneration Committee

The Remuneration Committee is responsible for the Board policy with respect to senior executives' salary and other remuneration. It specifically determines within remuneration principles agreed with the Board, the total remuneration package of each Executive Director and reviews with the Chairman the remuneration packages for other senior executives. A copy of the terms of reference of the Committee can be found on the Company's website.

The Committee met eight times during the period. Details of attendance are shown in the Corporate Governance statement on page 30.

Remuneration policy

The Group's policy is to provide Executive Directors with a competitive market-based package in order to reward individual and Group performance and deliver outstanding shareholder returns.

Year ending 31 March 2013

During the year under review it was the policy of the Company that Executive Directors receive a basic salary with a bonus opportunity, Life Assurance of four times salary and Private Medical Insurance as additional benefits. Tom Black did not participate in the bonus opportunity for the period under review. In addition Tom Black, Colin Evans and Zak Doffman subscribed for Incentive Shares on IPO, further details of which are given on page 40.

Nik Holgate is incentivised via the award of equity incentives, full details of which are given on pages 36 and 40.

Year ending 31 March 2014 and subsequent periods

The Remuneration Committee of the Board has undertaken a full-scale review of the Company's long-term incentive provision to ensure there are appropriate long-term equity incentives in place for the Company's key executives. The Remuneration Committee is committed to ensuring that the Company's key executive team is incentivised to drive sustainable earnings growth and returns to shareholders, thereby creating a genuinely strong alignment of interests between management and investors. A robust, strategically-focused equity-based long-term incentive policy is a key ingredient of this.

Following this review the policy of the Company is to pay a competitive base salary, provide a bonus opportunity, two-thirds of which is payable in deferred shares, and provide other relevant benefits. Additional detail regarding each element of remuneration is given below.

Base salary

It is the policy of the Company to pay a competitive base salary which is regularly benchmarked against organisations of a similar size and in a similar sector. Following the base salary increases in both March 2012 and 2013, as detailed on page 35, it is considered that the current level of base salary is sufficient to retain and motivate key executives. A benchmarking exercise will be undertaken from time to time to ensure that the levels of base salary remain appropriate.

Bonus opportunity

Details of the bonus opportunity for executive directors with effect from 1 April 2013 are given on page 35. The maximum bonus is capped at 150% of salary for Colin Evans and Zak Doffman and 120% of salary for Nik Holgate. Two thirds of the bonus is payable in deferred shares, to be held via a Deferred Share Bonus Plan ('the Plan'), which must be retained for three years. The implementation of the Plan is subject to approval at the 2013 AGM. Full details of the Plan are provided on page 36.

Pension

Currently the Company does not provide an employer pension contribution for Executive Directors. The Remuneration Committee is aware of the new pension regulations requiring employer contributions which will impact the Company in April 2014. At this time the Executive Directors will be offered an employer pension contribution in line with the legislative requirements.

Other benefits

Currently the Executive Directors are offered life cover of four times salary and Private Medical Insurance. It is anticipated that these benefits will continue and that no other benefits will be offered.

Base salary

Given the early stage of development of the Group, Colin Evans and Zak Doffman were paid below-market rates during the year under review.

In March 2012 and as detailed in last year's Annual Report, the Remuneration Committee undertook a benchmarking exercise in conjunction with external consultants, New Bridge Street, as to the appropriate level of executive reward, based on a thorough review of similar businesses. This review identified that material increases to the salaries of Tom Black, Colin Evans and Zak Doffman would be required to bring them into line with mid-market levels. In March 2012 the Remuneration Committee decided to adjust the salaries of Colin Evans and Zak Doffman over a two-year period with increases of approximately 20% on 1 April 2012 and 1 April 2013. As detailed in last year's Annual Report, it is fully recognised that these are substantial increments however the Remuneration Committee believes it is appropriate and necessary to bring salaries closer in line with the market in order to retain and motivate its key executives and to mitigate the risk of one of the Directors leaving the business.

Accordingly, in light of the March 2012 benchmarking report and given the progress made in the business during the year it was agreed to increase the salary of Colin Evans to £310,000 (2013: £270,000), Zak Doffman to £280,000 (2013: £240,000) both with effect from 1 April 2013. The salary of Nik Holgate will remain unchanged at £165,000 (2013: £165,000) and the salary of Tom Black will remain unchanged at £60,000 (2013: £60,000) both with effect from 1 April 2013. These rates of base salary will remain in place until 31 March 2014.

The base salaries detailed above will be reviewed again in March 2014 as part of the Company's annual compensation review process.

Bonus scheme

Year ending 31 March 2013

During the year under review the Executive Directors participated in a bonus arrangement as detailed in the 2012 Annual Report.

The Remuneration Committee has agreed that a bonus will not be payable to any of the Executive Directors in respect of the year to 31 March 2013.

Year ending 31 March 2014

In conjunction with New Bridge Street a review of Executive Director incentivisation was undertaken during the year. The aim of the review was to ensure that the interests of the Executive Directors and shareholders are aligned whilst providing the Executive Directors with a competitive remuneration opportunity for exceptional short and long-term performance. Accordingly the Remuneration Committee has agreed that a revised formal bonus scheme will be introduced for the year ending 31 March 2014 enabling Colin Evans and Zak Doffman to receive a maximum bonus of 150% of basic salary and Nik Holgate a maximum bonus of 120% of basic salary. In all cases one-third of any bonus will be payable in cash, and two-thirds by the award of shares, via a Deferred Share Bonus Plan, which must be held for a period of three years from date of award. The deferred element of this bonus payment maintains focus on long-term performance and aids retention of key executives.

Annual bonus payouts in respect of Colin Evans and Zak Doffman will be determined by reference to the following revenue targets.

Percentage of target revenue achieved	Bonus payout as a percentage of base salary
95% of target	0%
100% of target	60%
115% of target	120%
Between 95% and 100% of target	Straight-line basis between 0% and 60%
Between 100% and 115% of target	Straight-line basis between 60% and 120%

Furthermore, if the loss before tax for the year is greater than the target loss at the 60% payout level or 95% of the target loss at the 120% payout level it is anticipated that no bonus will be payable. However the Remuneration Committee will retain

Remuneration report continued

discretion in this regard. In addition, the Remuneration Committee will retain discretion as to the amount payable if the loss before tax is between target loss and 95% of target loss.

The revenue and loss targets may be adjusted by the Remuneration Committee to account for any acquisitions or disposals that may be made during the course of the year.

The bonus scheme for Nik Holgate will be on the basis as detailed above except that the maximum payable will be 120% of salary. Accordingly all relevant payments will be 80% of the amounts quoted above. The target revenue and target loss will be the same for all three Executive Directors.

The Remuneration Committee consider the targets set to be challenging and consider that for the full bonus to be payable, performance will need to be exceptional.

In addition to the above a maximum bonus of 30% of base salary will be based on the achievement of personal objectives. Again in order for the maximum to be paid performance will need to be exceptional.

The Remuneration Committee retain an overarching discretion on all bonus payments to be made in respect of this scheme.

Equity incentives

During the year the Company operated a Long Term Incentive Plan ('LTIP') the aim of which is to provide employees who are granted an award with nil cost shares on exercise. The LTIP consists of three constituent elements, an HMRC approved option, a Top-Up Award and a Parallel Option. All awards under the LTIP are approved by the Remuneration Committee following recommendations from the Executive Directors.

HMRC Approved Options

A grant of options can be made under this scheme up to a maximum value of £30,000. The exercise price is the market value of Digital Barriers shares the day prior to the grant date and the option can be exercised between three and ten years from date of award.

Top-Up Award

A further grant of nil cost options can be made under this scheme if the Remuneration Committee considers that the employee concerned should receive an award with a value in excess of £30,000. Again the option can be exercised between three and ten years from date of award.

Parallel Option

A Parallel Option is a nil cost option and made in conjunction with an award of HMRC Approved Options. The value of the award on exercise is capped at the value required in respect of the exercise price of the HMRC Approved Options. Parallel Options must be exercised at the same time as the associated HMRC Approved Option is exercised unless the entitlement to the associated HMRC Approved Option has been waived.

Performance condition

All awards under the LTIP are subject to a performance condition as detailed below.

Average annual compound growth in the Total Shareholder Return (TSR) of the Company over the three year period commencing on the grant date	Percentage of an HMRC Option, a Parallel Option and Top-Up Award that vests
10% or more per annum	100%
More than 5% per annum but less than 10% per annum	On a straight-line basis between 25% and 100%
5% per annum	25%
Less than 5% per annum	0%

The Remuneration Committee believe that TSR is the most appropriate performance metric in that it provides alignment with the Company's strategy to grow the value of the business and thus deliver shareholder return.

Tom Black, Colin Evans and Zak Doffman do not currently participate in the Long Term Incentive Plan.

On 7 June 2012, Nik Holgate was granted an award with a total value, on the grant date, of £75,000. A maximum of 42,858 shares will be receivable by Nik Holgate under this award. The performance condition detailed above will apply to this award.

There are no other Share Option schemes operated by the Group.

Deferred Share Bonus Plan ('the Plan')

A resolution will be put to the AGM to be held on 22 July 2013 to introduce a Deferred Share Bonus Plan for use in conjunction with the revised bonus arrangements for the Executive Directors as detailed above and for other senior employees of the Group who may in the future have a similar bonus arrangement. Full details of the Plan are given in appendix 1 of the Notice of Meeting on pages 88 to 90.

Proposed changes to the rules of the LTIP

The LTIP is scheduled to terminate on 23 June 2015. A resolution will be put to the AGM to be held on 22 July 2013 to extend the term of the LTIP to 23 June 2020, ten years after it was implemented. In addition the resolution will seek shareholder approval to implement clawback provisions into the LTIP in cases where it is subsequently proven that the trading performance leading to awards under the LTIP or the achievement of the Performance Condition had been incorrectly stated.

As a result of the extension of term being sought, provisions will be contained in the rules of the LTIP to increase the level of dilution allowed to a total of 10% over the ten-year term of the LTIP. This level of dilution will cover both the LTIP and the proposed Deferred Share Bonus Plan as detailed below. Further details regarding the amendments to the rules of the LTIP are given in appendix 2 of the Notice of Meeting on page 91.

Dilution limits and Employee Benefit Trust

It is the policy of the Company that awards made under the LTIP, which are to be satisfied by new issue shares, will not exceed 1% per annum on average of the issued share capital over the medium to long term. However in the short term, awards may be made which would exceed 1% in any one particular year.

Since the IPO in March 2010 potentially dilutive awards under the LTIP have been made and are still outstanding over 1,538,175 shares amounting to 3.01% of the issued Ordinary Share capital of the Company.

All awards made under the LTIP will be satisfied by shares held in the Digital Barriers plc Employee Benefit Trust ('EBT'). The Company has confirmed to the EBT that sufficient shares will be made available prior to the requirement to satisfy the exercise of awards under the LTIP.

Full details of awards made under the LTIP during the period are given in note 19 on pages 67 to 69.

Incentive Shares

On 22 February 2010, Tom Black, Colin Evans and Zak Doffman were issued a total of 217,500 Incentive Shares totalling £217,500 in a share for share exchange for Digital Barriers Services Limited shares, details of which are given in the table on page 40. The Incentive Shares only reward participants if shareholder value is created, thereby aligning the interests of the Executive Directors with those of shareholders. The Incentive Shares carry the right to 12.5% of any increase in the value of the Company in excess of the Retail Prices Index after 1 February 2010 after accounting for any additional funds raised. The Incentive Shares do not carry any voting or dividend rights and are not transferable except in limited circumstances.

The holders of Incentive Shares can realise value from the shares either by converting them into Ordinary Shares or by the Company, at its election, responding to a request to so convert the shares by choosing to redeem them.

On issue, in February 2010, the terms relating to the Incentive Shares provided that 50% of the Incentive Shares would vest (i.e. become capable of conversion into Ordinary Shares) on 1 February 2013 and 50% would vest on 1 February 2014.

At a General Meeting held on 27 December 2012 the terms relating to the Incentive Shares were changed so that 25% of the Incentive Shares will vest in each of 2013, 2014, 2015 and 2016, on the earlier of 31 May of each year and the date being five business days after the publication of the Company's preliminary results for the immediately preceding financial year.

If the Incentive Shares had become convertible on 31 March 2013 and based on the share price of £1.85 on that day, 1,540,401 Ordinary Shares would have been issued in respect of the Incentive Share conversion. Full details as to the basis of calculation was given in the Admission Document which is available on the Company's website.

Remuneration report continued

Pensions

The Executive Directors do not participate in any pension arrangement operated by the Group

Remuneration of the Non-Executive Directors

The remuneration of the Non-Executive Directors comprises solely of fixed fees which are set by the Board. Advice is taken on appropriate levels taking account of the development of the Group, market practice, time commitment and responsibility. Directors are not involved in discussions relating to their own salary, benefits or fees.

The total fees for Non-Executive Directors remain within the aggregate limit of £250,000 per annum as set out in the Articles of Association. There are no pre-determined special provisions for Non-Executive Directors with regard to compensation in the event of loss of office.

The table below sets out the Non-Executive Director annual fees at 31 March 2013

	Annual fees
Bernie Waldron	£35,000
Paul Taylor	£35,000

It has been agreed that the annual fees for Bernie Waldron and Paul Taylor will remain unchanged for the year ending 31 March 2014

Directors' remuneration for the period ended 31 March 2013

	Basic salary/fees 2013 £'000	Pension 2013 £'000	Other 2013 £'000	Benefits 2013 £'000	Bonus 2013 £'000	Remuneration 2013 £'000	2012 £'000
Executive Chairman							
Tom Black	60	Nil	Nil	Nil	Nil	60	30
Executive Directors							
Colin Evans	270	Nil	Nil	1	Nil	271	230
Zak Doffman	240	Nil	Nil	1	Nil	241	200
Nik Holgate	165	Nil	Nil	1	Nil	166	89
Non-Executive Directors							
Bernie Waldron	26	Nil	Nil	Nil	Nil	26	Nil
Paul Taylor	35	Nil	Nil	Nil	Nil	35	Nil
Chris Banks	10	Nil	Nil	Nil	Nil	10	30
Rupert Keeley	10	Nil	Nil	Nil	Nil	10	30
Total	816	Nil	Nil	3	Nil	819	609

Bernie Waldron was appointed on 1 July 2012 and remuneration has been presented from that date to 31 March 2013

Chris Banks and Rupert Keeley stepped down from the Board on 25 July 2012 and remuneration has been presented from 1 April 2012 to 25 July 2012

All other Directors detailed above were in office during the year and remuneration has been presented from 1 April 2012 to 31 March 2013

Service contracts

Tom Black, Colin Evans and Zak Doffman are subject to rolling service contracts with a notice period of one year. Nik Holgate is subject to a rolling service contract with a notice period of six months. Payments on termination for Executive Directors, other than on grounds of incapacity or in circumstances justifying summary termination, are restricted to the value of any unexpired notice period and the cost of providing other contractual benefits during the unexpired notice period.

None of the Non-Executive Directors has a service agreement. Letters of appointment in respect of Bernie Waldron and Paul Taylor are for a fixed period of three years and may be terminated by either party giving to the other not less than one month's notice.

Details of the Directors offering themselves for re-election at the forthcoming Annual General Meeting are set out in the Directors' report on pages 18 and 19.

The service contracts and letters of appointment include the following terms:

Executive Directors	Date of contract	Notice period (months)
Tom Black	23 October 2009	12
Colin Evans	23 October 2009	12
Zak Doffman	23 October 2009	12
Nik Holgate	30 August 2011	6

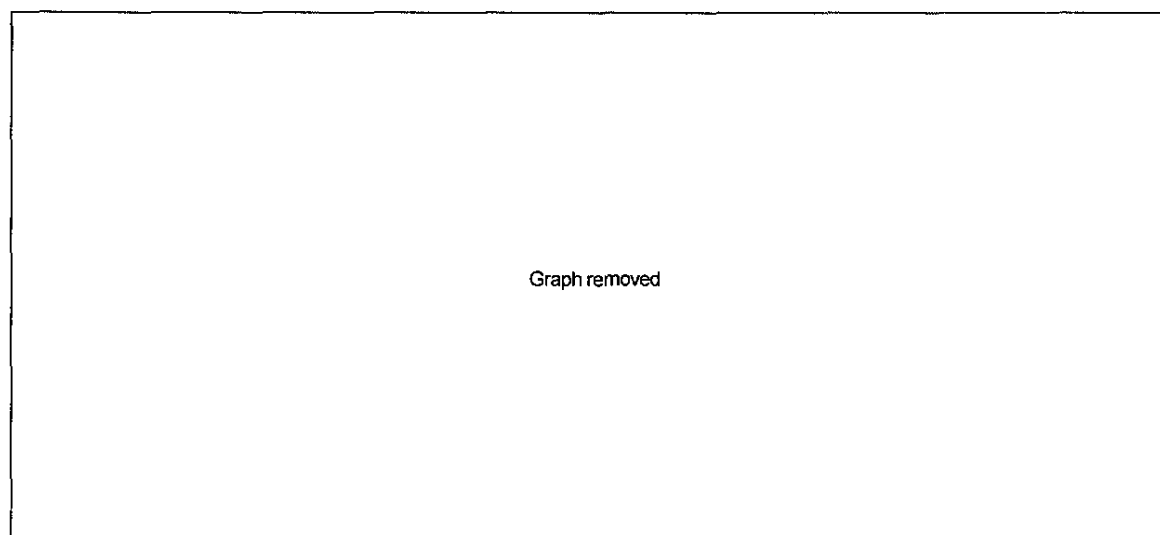
Non-Executive Directors	Letters of appointment	Notice period (months)
Bernie Waldron	22 June 2012	1
Paul Taylor	1 April 2012	1
Chris Banks*	24 February 2010	1
Rupert Keeley*	16 June 2010	1

*Chris Banks and Rupert Keeley stepped down from the Board on 25 July 2012.

A summary of the terms of appointment of current Non-Executive Directors is available on the Company's website.

TSR performance

The graph below sets out for the period from IPO to 31 March 2013 the Total Shareholder Return of Digital Barriers plc and the performance of FTSE AIM sector and the FTSE All Share Software and Computer Services index.



The share price of the Company on 8 February 2010 (being the date of the Company's IPO) was £1. During the year under review the share price varied between £1.97 and £1.205 and at 31 March 2013 was £1.85.

Remuneration report continued

Share awards under the LTIP held at 31 March 2013

	At 1 April 2012	Awarded during the year	Lapsed during the year	Vested during the year	At 31 March 2013	Grant date	Exercisable from	Share price at grant	Exercise price
Nik Holgate									
Total LTIP award	47,620	–	–	–	47,620	25/11/11	25/11/14 to 25/11/21	£1 575	n/a
Awarded during year	–	42,858	–	–	42,858	07/06/12	07/06/15 to 07/06/22	£1 750	n/a
Total	47,260	42,858	–	–	90,478				
comprising									
HMRC Approved Options	19,047	–	–	–	19,047	25/11/11	25/11/14 to 25/11/21	£1 575	£1 575
Parallel Option ⁽ⁱ⁾	19,047	–	–	–	19,047	25/11/11	25/11/14 to 25/11/21	£1 575	nil
Top-Up Award	28,573	–	–	–	28,573	25/11/11	25/11/14 to 25/11/21	£1 575	nil
Top-Up Award	–	42,858	–	–	42,858	07/06/12	07/06/15 to 07/06/22	£1 750	nil

Note

(i) The Parallel Option is awarded to deliver the exercise price of the HMRC Approved Option and as such is not included in the calculation of the total LTIP award. Full details are given on page 36

Director's interests in shares

The interests of the Directors at the end of the year in the share capital of the Company were as follows

	As at 31 March 2013 Ordinary Shares	As at 1 April 2012 Ordinary Shares	As at 31 March 2013 Incentive Shares	As at 1 April 2012 Incentive Shares
Tom Black	3,960,215	3,891,250	108,750	108,750
Colin Evans	574,590	505,625	54,375	54,375
Zak Doffman	530,114	445,625	54,375	54,375
Nik Holgate	47,468	3,000	nil	nil
Chris Banks	115,000 ⁽ⁱⁱ⁾	115,000	nil	nil
Rupert Keeley	20,000 ⁽ⁱⁱ⁾	20,000	nil	nil
Bernie Waldron	34,482	nil ⁽ⁱ⁾	nil	nil
Paul Taylor	34,482	nil ⁽ⁱ⁾	nil	nil

(i) On appointment

(ii) On 25 July 2013 being the date both Chris Banks and Rupert Keeley stepped down from the Board

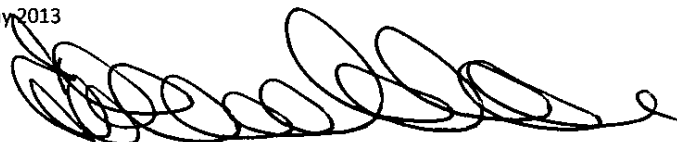
No Director holds a non-beneficial interest in the Company's share capital. There have been no changes in Directors' shareholdings between 31 March 2013 and 28 May 2013

Approved by the Board and signed on its behalf

Bernie Waldron

Chairman, Remuneration Committee

28 May 2013



Statement of Directors' responsibilities – Group financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union

Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the financial result of the Group for that period. In preparing the Group financial statements the Directors are required to

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance,
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements, and
- make judgements and estimates that are reasonable and prudent

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Digital Barriers plc

We have audited the group financial statements of Digital Barriers plc for the year ended 31 March 2013 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated statement of cash flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 41, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2013 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

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

- 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.

Other matter

We have reported separately on the Parent Company financial statements of Digital Barriers plc for the year to 31 March 2013

Ernst & Young LLP

Julian Gray (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28 May 2013

Notes

- 1 The maintenance and integrity of the Digital Barriers plc web site is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Consolidated income statement

for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Revenue	2	23,272	14,996
Cost of sales		(13,322)	(8,939)
Gross profit		9,950	6,057
Administration costs		(20,823)	(15,782)
Other income	5	1,484	5,828
Other costs	5	(1,336)	–
Operating loss	4	(10,725)	(3,897)
Finance revenue	7	69	160
Finance costs	8	(100)	(365)
Loss before tax		(10,756)	(4,102)
Income Tax	9	840	561
Loss after tax attributable to owners of the parent		(9,916)	(3,541)

Adjusted loss	5		
Loss before tax		(10,756)	(4,102)
Amortisation of intangibles initially recognised on acquisition		2,029	2,024
Acquisition costs		369	754
Adjustments to deferred consideration		(1,384)	(5,004)
Gain on bargain purchase		–	(152)
Reorganisation costs		769	510
Impairment of intangibles		1,336	–
Adjusted loss before tax for the period		(7,637)	(5,970)

(Loss) per share – basic	10	(21 78p)	(8 11p)
(Loss) per share – diluted	10	(21 78p)	(8 11p)
(Loss) per share – adjusted	10	(16.45p)	(12 83p)
(Loss) per share – adjusted diluted	10	(16 45p)	(12 83p)

The results for the year and the prior period are derived from continuing activities

Consolidated statement of comprehensive income

for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Loss for the period		(9,916)	(3,541)
Exchange differences on retranslation of foreign operations		25	(246)
Total comprehensive loss attributable to owners of the parent		(9,891)	(3,787)

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Consolidated balance sheet

at 31 March 2013

	Note	31 March 2013 £'000	31 March 2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	1,370	892
Goodwill	12	24,647	21,716
Other intangible assets	13	5,828	8,150
		31,845	30,758
Current assets			
Inventories	14	1,779	1,788
Trade and other receivables	15	13,239	6,760
Current tax recoverable		972	655
Cash and cash equivalents		5,544	15,289
		21,534	24,492
Total assets		53,379	55,250
Equity and liabilities			
Attributable to equity holders of the Parent			
Equity share capital	18	510	437
Share premium		57,989	48,012
Capital redemption reserve		4,735	4,735
Merger reserve		455	348
Translation reserve		(221)	(246)
Other reserves		(307)	(307)
Retained earnings		(17,268)	(7,687)
Total equity		45,893	45,292
Non-current liabilities			
Deferred tax liabilities	9	363	414
Financial liabilities	17	202	1,000
		565	1,414
Current liabilities			
Trade and other payables	16	6,038	6,794
Financial liabilities	17	883	1,750
		6,921	8,544
Total liabilities		7,486	9,958
Total equity and liabilities		53,379	55,250

The financial statements on pages 44 to 76 were approved by the Board of Directors on 28 May 2013 and were signed on its behalf by

Colin Evans
Group Managing Director



Nik Holgate
Group Finance Director



Consolidated statement of changes in equity for the year ended 31 March 2013

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Other reserves £'000	Profit and loss reserve £'000	Total equity £'000
At 31 March 2011	436	48,012	4,735	—	—	(307)	(4,305)	48,571
Issue of shares on acquisition of Keeneo	1	—	—	348	—	—	—	349
Share-based payment credit	—	—	—	—	—	—	159	159
Loss for the year	—	—	—	—	—	—	(3,541)	(3,541)
Other comprehensive loss	—	—	—	—	(246)	—	—	(246)
Total comprehensive loss for the year	—	—	—	—	(246)	—	(3,541)	(3,787)
At 31 March 2012	437	48,012	4,735	348	(246)	(307)	(7,687)	45,292
Issue of shares against Keeneo deferred consideration	1	—	—	106	—	—	—	107
Share issue costs	—	(351)	—	—	—	—	—	(351)
Share placement	72	10,328	—	—	—	—	—	10,400
Share-based payment credit	—	—	—	—	—	—	336	336
Loss for the year	—	—	—	—	—	—	(9,916)	(9,916)
Other comprehensive loss	—	—	—	—	25	—	—	25
Total comprehensive loss for the year	—	—	—	—	25	—	(9,916)	(9,891)
At 31 March 2013	510	57,989	4,735	454	(221)	(307)	(17,267)	45,893

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Consolidated statement of cash flows

for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Operating activities			
Loss before tax		(10,756)	(4,102)
Non-cash adjustment to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	11	771	193
Amortisation of intangible assets	13	2,102	2,056
Impairment of intangible assets	13	1,336	–
Share-based payment transaction expense	19	336	159
Gain on bargain purchase	20c	–	(152)
Release of deferred consideration	5	(678)	(4,021)
Reassessment of deferred consideration	5	(805)	(1,693)
Disposal of fixed assets	11	226	5
Finance income	7	(69)	(160)
Finance costs	8	100	365
Working capital adjustments			
Increase in trade and other receivables		(6,096)	(2,896)
Increase in inventories		351	(372)
(Decrease)/Increase in trade and other payables		(1,163)	526
Cash utilised in operations		(14,345)	(10,092)
Income tax received/(paid)		275	(34)
Net cash flow from operating activities		(14,070)	(10,126)
Investing activities			
Purchase of property, plant and equipment	11	(1,453)	(443)
Expenditure on intangible assets	13	(97)	(563)
Acquisition of subsidiaries	20	(3,349)	(5,249)
Payment of deferred consideration		(822)	(2,034)
Acquisition of cash and cash equivalents of subsidiaries	20	(41)	31
Cash and cash equivalents arising on pooling of interest transaction	20	–	–
Interest received		69	160
Net cash flow utilised in investing activities		(5,693)	(8,098)
Financing activities			
Proceeds from issue of shares		10,400	–
Share issue costs		(351)	–
Interest paid		–	(8)
Net cash flow from financing activities		10,049	(8)
Net (decrease)/increase in cash and cash equivalents		(9,714)	(18,232)
Cash and cash equivalents at beginning of period		15,289	33,524
Effect of foreign exchange rate changes on cash and cash equivalents		(31)	(3)
Cash and cash equivalents at 31 March		5,544	15,289

Notes to the financial information

1 Accounting policies

Basis of preparation

The consolidated financial statements for the year include those of Digital Barriers plc and all of its subsidiary undertakings (together 'the Group') drawn up at 31 March 2013. The Financial Statements were authorised for issue by the Board of Directors on 28 May 2013 and the Balance sheet was signed on the Board's behalf by Colin Evans and Nik Holgate.

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control arises when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Subsidiaries are consolidated using the Group's accounting policies. Business combinations are accounted for using the acquisition method of accounting except for the acquisition of Digital Barriers Services Limited by Digital Barriers plc which has been accounted for using the pooling of interests method. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated on consolidation.

All values are rounded to £'000 except where otherwise stated.

The Company is a limited liability company incorporated and domiciled in England and Wales and whose shares are quoted on AIM, a market operated by the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2013 and applied in accordance with the Companies Act 2006. The accounting policies which apply in preparing the financial statements for the period are set out below.

The Group's financial statements have been prepared on a going concern basis (see page 20 in the Directors' report).

Critical accounting estimates and judgements

In preparing the consolidated financial statements, management has to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The critical judgements and estimates made in preparing the consolidated financial statements are detailed below. These judgements and estimates involve assumptions in respect of future events which can vary from what is anticipated.

Revenue and profit recognition

Fixed price contracts are accounted for in accordance with IAS 11 'Construction Contracts'. Revenue and profits are recognised on a percentage-of-completion basis, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably requires management to exercise judgement, whilst the calculation of the contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

Intangible assets

In accordance with IFRS 3R 'Business Combinations' goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3R also requires the identification of other intangible assets acquired. The method used to value intangible assets is the 'Income Approach' which requires the use of estimates which may differ from actual outcomes. The useful economic life of other intangibles requires the use of estimates which may differ from actual outcomes. Details of other intangibles are disclosed in note 13, including details of the carrying amounts and remaining useful economic lives of individually material assets.

Impairment of goodwill

The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the aggregate cash-generating units to which goodwill has been allocated. The value in use calculation includes an estimate of the long-term growth rate of the cash-generating units. The carrying amount of goodwill and the key assumptions used in the calculation of value in use of the cash-generating units are disclosed in note 12.

Impairment of intangibles

The determination of whether or not intangible assets have been impaired requires an estimate to be made of the value in use of those assets, and compared against the carrying value. The carrying amount of intangibles is disclosed in note 13. The impairment of intangible assets is disclosed in note 5(ii).

1 Accounting policies continued

Deferred consideration

In recognising the fair value of deferred consideration in respect of business combinations, contingent on future events such as revenue and profit, management make estimates as to the extent to which the maximum deferred consideration will be paid, based on weighted probability models in accordance with IFRS 3R. These estimates may differ from actual outcomes. The carrying value of deferred consideration is disclosed in note 17.

Income taxes

In recognising deferred tax assets, management make estimates of the forecast future profitability of entities within the Group and the likely certainty that these forecasts will be achieved. Where the final outcome of such matters is different, or expected to be different, from previous assessments made by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such determination is made. The carrying value of deferred tax is disclosed in note 9.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Payments made that are contingent on the vendors continuing to be employed by the Group are treated as remuneration and recognised within the administration cost line in the income statement. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill

The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation includes estimates about the future financial performance of the cash-generating units, including management's estimates of long-term operating margins and long-term growth rates.

Intangible assets

In accordance with IFRS 3R 'Business Combinations' goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3R also requires the identification of other intangible assets acquired. The method used to value intangible assets is the 'Income Approach'. The Income Approach indicates the fair value of an asset based on the value of the cash flows that the asset might reasonably be expected to generate.

1. Accounting policies continued

Other intangible assets

Intangible assets acquired from a business combination are capitalised at fair value as at the date of acquisition and amortised over their estimated useful economic life. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights. The estimated useful lives of the intangible assets are as follows:

Customer relationships – three to five years,

Order backlog – one to three years,

Intellectual property – one to seven years,

Patents – eight years, and

Trademarks – ten years.

Amortisation is charged to administration expenses in the Consolidated income statement on a straight-line basis. Intangible assets, other than development costs, created within the business are not capitalised and expenditure thereon is charged to the income statement in the period in which the expenditure is incurred.

The carrying value of other intangible assets is reviewed for impairment when events or changes in circumstance indicate that it may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The asset's recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs.

Revenue and profit recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes.

Revenue derived from services billed to customers on a time and materials or fixed-price basis represents the value of work completed, including attributable profit, based on the stage of completion achieved on each project. For time and materials projects, revenue is recognised as services are performed. For fixed-price projects, revenue is recognised according to the stage of completion which is determined using the percentage-of-completion method based on the Directors' assessment of progress against key project milestones and risks, and the ratio of costs incurred to total estimated project costs. The cumulative impact of any revisions to the estimate of percentage-of-completion of any fixed-price contracts is reflected in the period in which such impact becomes known.

Revenue from support contracts is spread evenly over the period of the support contract.

Revenue from the sale of products is recognised when the risks and rewards of ownership are transferred to the customer, which is usually at the point at which goods are supplied to the customer.

Licence income is recognised in accordance with the substance of the agreement. Revenue from licence agreements which have no significant remaining performance obligations is recognised where there is persuasive evidence that an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

Revenue arrangements may include the sale of products together with installation and/or on-going support services. Where the commercial substance of such a combination is that the individual components operate independently of each other and fair values can be attributed to each of the components, each are then recognised in accordance with their respective policies.

Amounts recoverable on contracts

Amounts recoverable on contracts represent revenue recognised to date less amounts invoiced to customers. Full provision is made for known or anticipated project losses.

Payments received on account

Payments received on account represent amounts invoiced to customers in excess of revenue recognised to date.

Trade and other receivables

Trade receivables are recognised and measured at their original invoiced amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off to the income statement when they are identified.

Notes to the financial information continued

1 Accounting policies continued

Provisions

Provisions are recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement

Equity

Equity comprises the following. Share capital represents the nominal value of equity shares. Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue. The Capital redemption reserve represents the difference between the proceeds received and the par value of the shares bought back by the Company. The Merger reserve represents the difference between the fair value and the nominal value of shares issued on the acquisition of Keeneo SAS, as merger relief was applicable to this business combination. The Translation reserve represents the impact of currency translation on the foreign currency net investment in Keeneo SAS. Other reserves represents the difference between the carrying value of the net assets acquired and shares issued in consideration on the pooling of interests transaction. The Profit and loss reserve represents the cumulative total profit or loss attributable to shareholders, excluding those items recognised in other reserves

Research and development costs

Research expenditure is charged to the income statement in the year in which it is incurred

Expenditure incurred in the development of software and hardware products for use or sale by the business, and their related intellectual property rights, is capitalised as an intangible asset only when

- technical feasibility has been demonstrated,
- adequate technical, financial and other resources exist to complete the development, which the Group intends to complete and use,
- future economic benefits expected to arise are deemed probable, and
- the costs can be reliably measured

Development costs not meeting these criteria are expensed in the income statement as incurred. When capitalised, development costs are amortised on a straight-line basis over their useful economic lives once the related software and hardware products are available to use. During the period of development the asset is tested for impairment annually. Development costs with a value of £24,000 (2012: £251,000) have been capitalised in the period (see note 13)

1 Accounting policies continued

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged on the following bases to reduce the cost of the Company's property, plant, and equipment to their residual values over their expected useful lives at the following rates:

Leasehold improvements – 20% straight line,
Office furniture and equipment – 20% straight line,
Computer equipment – 33% straight line,
Vehicles – 25% straight line, and
Demonstration stock – 20% to 50% straight line

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired.

Inventories

Inventories are valued at the lower of cost and net realisable value on a first-in first-out basis. In the case of finished goods, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, an appropriate allowance is made for obsolete, slow-moving and defective inventories. In certain instances stock items are used for demonstration purposes, in this case the stock item is classified as a fixed asset and depreciated in line with the Group depreciation policy.

Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost.

Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Foreign currency translation

The Group's consolidated financial statements are presented in Sterling, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken to other comprehensive income until the disposal of the net investment, at which time they are reclassified from equity to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of foreign operations are translated into Sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Retirement benefits

The Group operates a Group defined contribution personal pension plan for certain employees. Pension costs are calculated annually and charged to the income statement as they arise.

1 Accounting policies continued

Share-based payments

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares under the Long Term Incentive Plan ('LTIPs'). The LTIP performance and service conditions include market conditions. The total amount to be expensed over the vesting period of the options and LTIPs is determined by reference to the fair value at the date at which the options or LTIPs are granted and the number of awards that are expected to vest. The fair value is determined using a Stochastic model taking into account any market vesting and non-vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional on a market vesting or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest (or for an instrument subject to a market condition or non-vesting condition be treated as vesting as described above). The movement in cumulative expense is recognised in the income statement, with a corresponding entry in equity.

Certain of the Executive Directors have been issued an aggregate of 217,500 Incentive Shares. The Incentive Shares only reward participants if shareholder value is created, thereby aligning the interests of the Executive Directors with those of shareholders. The Incentive Shares carry the right to 12.5% of any increase in the value of the Company in excess of the retail prices index after 1 February 2010 (as described in note 19). The Incentive Shares do not carry any voting or dividend rights and are not transferable except in limited circumstances. The holders of Incentive Shares can realise value from the shares either by converting them into Ordinary Shares or by the Company, at its election, responding to a request to so convert the shares by choosing to redeem them. They are treated as equity-settled awards with a market vesting condition. The fair value at the date at which the Incentive Shares were acquired was determined using a Stochastic model. This original fair value (£217,500) has been recognised as a current liability on the balance sheet as it becomes repayable if the Executive Directors leave office.

At a General Meeting held on 27 December 2012, the terms relating to the Incentive Shares were changed, triggering a revaluation. The total amount to be expensed over the vesting period of the modified Incentive Shares has been calculated in the year by reference to the incremental fair value on 27 December 2012 of the modified Incentive Shares compared to the fair value on 27 December 2012 of the original Incentive Shares. This resulted in a charge to the Consolidated Income Statement in the year of £35,000 (2012: £nil).

Employee Benefit Trust

The Digital Barriers plc Employee Benefit Trust (the 'Trust'), which purchases and holds Ordinary Shares of the Company in connection with employee share schemes, is consolidated in the Group financial statements. Any consideration paid or received by the Trust for the purchase or sale of the Company's own shares is shown as a movement in shareholders' equity.

Lease commitments and hire purchase contracts

Assets acquired under finance leases and hire purchase contracts are capitalised and disclosed under property, plant and equipment at their estimated fair value, or, if lower, the present value of the minimum lease payments on the inception of each lease or contract and depreciated over their estimated useful lives. The capital element of the future payments is treated as a liability and the total finance charge is allocated over the period of the lease or contract in such a way as to give a constant charge on the outstanding liability.

Leases in which a significant proportion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease rentals payable or receivable are charged or credited to the income statement on a straight-line basis over the lease term.

Adoption of new and revised International Financial Reporting Standards

The Group's accounting policies have been prepared in accordance with IFRS effective as for its reporting date of 31 March 2013. The following standards, interpretations, and amendments to existing standards are mandatory as of 1 April 2012 unless otherwise stated and the impact is described below, none of these standards will be adopted early by the Group.

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets Effective for annual periods beginning on or after 1 January 2012. The amendment to IAS 12 introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. The standard is not applicable to the Group.

1 Accounting policies continued

The following standards, interpretations, and amendments to existing standards have an effective date after the date of these financial statements and have not been early adopted by the Group

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 Effective for periods beginning on or after 1 January 2013 These amendments require an entity to disclose information about rights of set-off and related arrangements The amendment will affect presentation only and has no impact on the Group's financial position or performance

IFRS 9 Financial Instruments Effective for annual periods beginning on or after 1 January 2015

Phase 1 of IFRS 9 applies to all financial instruments within the scope of IAS 39 The standard is not expected to significantly affect the Group's results or financial position

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements Effective for annual periods beginning on or after 1 January 2013 IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities, which resulted in SIC-12 being withdrawn IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements The standard is not expected to significantly affect the Group's results or financial position

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments) Effective for annual periods beginning on or after 1 January 2014 The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity It is not expected that the standard will be applicable to the Group

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures Effective for annual periods beginning on or after 1 January 2013 IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10 It is not expected that the standard will be applicable to the Group

IFRS 12 Disclosure of Interests in Other Entities Effective for annual periods beginning on or after 1 January 2013 IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new The standard affects disclosure only and has no impact on the Group's financial position or performance

IFRS 13 Fair Value Measurement Effective for annual periods beginning on or after 1 January 2013 IFRS 13 provides guidance on how to measure fair value, but does not change when fair value is required or permitted under IFRS The standard is prospective in nature and will affect fair value measurements going forward such as those included in business combinations and contingent considerations

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 Effective for annual periods beginning on or after 1 July 2012 IAS 1 changes the grouping of items presented in OCI Items that could be reclassified to profit and loss at a future point in time would be presented separately from items that will never be reclassified The amendment will affect presentation only and has no impact on the Group's financial position or performance

IAS 19 Employee Benefits (Revised) Effective for annual periods beginning on or after 1 January 2013 The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording The Group does not operate defined benefit pension plans and therefore the standard is not expected to significantly affect the Group's results or financial position

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 Effective for annual periods beginning on or after 1 January 2014 These amendments to IAS 32 clarify the meaning of 'currently has a legally enforceable right to set-off' The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous The standard is not expected to significantly affect the Group's results or financial position

Notes to the financial information continued

2 Revenue

The following table provides disclosure of the Group's revenue analysed by geographical market based on the location of the customer

	2013 £'000	2012 £'000
United Kingdom	16,568	11,686
Rest of world	6,704	3,310
	23,272	14,996

Revenue above included £672,000 (2012 £1,286,000) which related to contracts accounted for under the percentage-of-completion method. See note 3 for the analysis of revenue by Services and Products. In the year, no single country represents a significant proportion of revenue from the rest of the world (2012 £1,286,000 was recognised in respect of customers based in the Republic of Korea)

Analysis of revenue by customer

There were two individually material customers during the year. One, included in the services operating segment, represents £2,391,000 or 10.3% (2012 £4,476,000 or 29.9%) of Group turnover for the year. The other, included within the products operating segment, represents £3,060,000 or 13.1% (2012 £951,000 or 6.3%) of Group turnover for the year.

As the Group grows, the proportion of the Group's total revenue that any one customer represents is expected to continue to fall.

3. Segmental information

The Group is organised into the 'Services' and 'Products' Divisions for internal management, reporting and decision-making, based on the nature of the products and services of the Group's businesses. Managers have been appointed within services and products, who report to members of the Board. These are the reportable operating segments in accordance with IFRS 8 'Operating Segments'.

The Group's Services Division is predominantly focused on the UK market and integrates third party technology and own product into UK Services customers. The Services Division is established with a number of key UK Government organisations in the secure government, law enforcement and transportation sectors, and will maintain its current focus on the very high security areas of the UK Government market. The Group's Products Division is focused on the advanced surveillance market. This covers image and data capture (for example, stand-off passive body scanning and unattended ground sensors), a range of processing and enhancement techniques (for example, thermal image processing, image stabilisation, and enhancing low light performance), image transmission (both wired and wireless technologies) and a range of analytics algorithms.

In accordance with IFRS 8, the Group has derived the information for its operating segments using the information used by the Chief Operating Decision Maker. The Group has identified the Board of Directors as the Chief Operating Decision Maker as it is responsible for the allocation of resources to operating segments and assessing their performance.

3 Segmental information continued

Corporate overheads, which primarily relate to operations of the Group function, are not allocated to the business units. Group financing (including finance costs and finance revenue) and income taxes are managed centrally and are not allocated to an operating segment. No operating segments have been aggregated to form the above reportable segments.

	Services 2013 £'000	Products 2013 £'000	Total 2013 £'000	Services 2012 £'000	Products 2012 £'000	Total 2012 £'000
Total segment revenue	6,289	17,324	23,613	6,324	8,721	15,045
Inter-segment revenue	–	(341)	(341)	–	(49)	(49)
Revenue	6,289	16,983	23,272	6,324	8,672	14,996
Depreciation	72	509	581	55	101	156
Segment operating profit/(loss)	735	(1,455)	(720)	143	(947)	(804)
Sales and marketing costs			(3,824)			(2,498)
Other central overheads			(3,062)			(2,820)
Amortisation of intangibles initially recognised on acquisition			(2,029)			(2,024)
Acquisition costs			(369)			(754)
Adjustments to deferred consideration			1,384			5,361
Gain on bargain purchase			–			152
Reorganisation costs			(769)			(510)
Impairment of intangibles			(1,336)			–
Operating loss			(10,725)			(3,897)
Finance income			69			160
Finance costs			(100)			(365)
Loss before tax			(10,756)			(4,102)
Income tax			840			561
Loss for the period			(9,916)			(3,541)

Other segment information

The Group's non-current assets are predominantly held by UK entities and consequently no geographical balance sheet disclosures are required. See note 2 for revenue by location of customer.

4 Group operating loss

The Group operating loss is stated after charging

	2013 £'000	2012 £'000
Operating lease rentals – land and buildings	800	593
Operating lease rentals – other	17	112
Research and development costs	2,298	1,167
Depreciation of property, plant and equipment	771	193
Amortisation of intangible assets initially recognised on acquisition	2,029	2,024
Amortisation of other intangibles	73	32
Exchange differences	10	27

Notes to the financial information continued

4. Group operating loss continued

Auditors' remuneration

The following table shows an analysis of fees payable to Ernst & Young LLP, the Group's auditors

	2013 £'000	2012 £'000
Audit services		
Fees payable to the Company's auditor for the audit of the financial statements	67	62
The audit of the Company's subsidiaries	85	73
	152	135
Non-audit services		
Fees payable to the Company's auditor and its associates for other services		
Tax compliance services	37	28
Tax advisory services	18	21
	55	49

5 Adjusted loss before tax

An adjusted loss before tax measure has been presented as the Directors believe that this is a more relevant measure of the Group's underlying performance. Adjusted loss is not defined under IFRS and has been shown as the Directors consider this to be helpful for a better understanding of the performance of the Group's underlying business. It may not be comparable with similarly titled measurements reported by other companies and is not intended to be a substitute for, or superior to, IFRS measures of profit. The net adjustments to loss before tax are summarised below

	2013 £'000	2012 £'000
Amortisation of intangibles initially recognised on acquisition	2,029	2,024
Acquisition costs	369	754
Adjustments to deferred consideration (i) (ii)	(1,384)	(5,004)
Gain on bargain purchase (iii)	–	(152)
Impairment of intangible assets (iv)	1,336	–
Reorganisation costs (v)	769	510
Total adjustments	3,119	(1,868)

(i) Adjustments to deferred consideration in the current year comprise releases of £678,000 and reassessments of £805,000 (see note 20c) partly offset by the unwind of discount on deferred consideration balances of £99,000. In relation to the LMW acquisition deferred consideration of £60,000 was paid in the year and the remaining balance of £30,000 was released. An interim time constrained financial target was not met in relation to the Zimith acquisition, resulting in the release of £617,000 of deferred consideration, the remaining balance held in respect of Zimith has been reassessed and reduced by £805,000 to £253,000. In relation to the E Tech acquisition deferred consideration of £12,000 was paid in the year with a further £188,000 paid after year end in April 2013, the remaining balance of £31,000 was released. The releases and reassessments of deferred consideration totalling £1,484,000 have been separately disclosed within Other Income in the Consolidated Income Statement.

(ii) Adjustments to deferred consideration in the prior year comprise releases of £3,986,000 and reassessments of £1,693,000 (see note 20c) partly offset by the unwind of discount on deferred consideration balances of £357,000 and legal and other fees associated with settling certain of the earn outs of £318,000. £669,000 was paid in cash in full settlement of the Waterfall earn out considerations and so the balance of the deferred consideration held has been released to the Other Income line within the Consolidated Income Statement. After the payment of £200,000 for excess working capital, no further deferred consideration was paid in relation to the Essential Viewing earn out considerations and so the full balance of the deferred consideration has been released to the Other Income line within the Consolidated Income Statement. £315,000 was paid in cash in the year and a further £107,000 was issued in shares after year end in full settlement of the Keeneo earn-out considerations, and the balance of the deferred consideration held has been released to the Other Income line within the Consolidated Income Statement. The undiscounted deferred consideration in respect of Zimith has been reassessed as at 31 March 2012 to be £1,720,000.

(iii) The gain on bargain purchase relates to the acquisition of ThruVision, and has been recognised in the Other income line within the income statement.

(iv) The performance of the Keeneo, Waterfall and Codestuff entities within the products operating segment have been below the level used to determine the intangible assets initially recognised on acquisition. The carrying value of the intangible assets has been re-evaluated using a value in use model, with discount rates of between 10.8% and 11.7%. As a result the intangible assets of each entity have been impaired by £577,000, £630,000 and £129,000 respectively. The total impairment of £1,336,000 has been separately disclosed within Other Costs in the Consolidated Income Statement.

(v) Reorganisation costs relate to the rationalisation of the organisational and geographical design, information systems and support functions within both the Services and Products Divisions. As the expenditure relates to transforming the divisions for the future these costs are not directly related to current operations.

6 Employees

The average number of employees during the period and the number at the end of the period were as follows

	Average 2013	At 31 March 2013	Average 2012	At 31 March 2012
Directors	6	6	6	6
Business units	174	186	128	170
Corporate	22	20	8	7
	202	212	142	183

The employee benefit expense for the period amounted to

	2013 £'000	2012 £'000
Salaries and short-term employee benefits	12,315	9,380
Social security costs	1,402	1,146
Pension costs	164	131
Share-based payments (note 19)	336	159
	14,217	10,816

7 Finance income

	2013 £'000	2012 £'000
Bank interest receivable	69	160

8. Finance costs

	2013 £'000	2012 £'000
Unwind of discount on deferred consideration	99	357
Unwind of discount on other liabilities	—	—
Bank interest payable	1	8
	100	365

9 Taxation on ordinary activities

	2013 £'000	2012 £'000
Current tax		
Corporation tax	(447)	(264)
Overseas tax	(167)	(105)
	(614)	(369)
Deferred tax		
Origination and reversal of temporary differences	(203)	(158)
Change in tax rate	(23)	(34)
	(226)	(192)
Total tax credit for the period	(840)	(561)

Notes to the financial information continued

9 Taxation on ordinary activities continued

The tax credit for the period is lower than the standard rate of corporation tax in the UK applied to the loss before tax. The differences are explained below

	2013 £'000	2012 £'000
Loss before tax	(10,756)	(4,102)
Tax at the UK corporation tax rate of 24% (2012 26%)	(2,581)	(1,067)
Tax effects of		
Prior year adjustments	30	26
Expenses not deductible for tax purposes	154	340
Amortisation of acquired intangible assets	692	281
Depreciation in excess of capital allowances	62	50
Share-based payments	79	41
Adjustments to deferred consideration	332	1,301
Unrelieved tax losses carried forward	486	(1,475)
Difference in foreign tax rate	(94)	(58)
Total tax credit for the period	(840)	(561)

Deferred taxation

Deferred tax included in the income statement is as follows

	2013 £'000	2012 £'000
Property, plant and equipment	–	–
Other intangibles	(226)	(192)
	(226)	(192)

Deferred tax included in the balance sheet is as follows

	2013 £'000	2012 £'000
At beginning of the period	(414)	(507)
Prior year adjustments	41	–
Business combinations	(195)	(99)
Origination and reversal of temporary differences	182	158
Change in tax rate	23	34
At end of the period	(363)	(414)

In March 2013, the UK Government announced its intention to reduce the UK corporation tax rate from 24% to 23% with effect from 1 April 2013, and to 20% by the tax year ended 31 March 2015. This is to be effected by a phased reduction of 2% on 1 April 2014 and 1% on 1 April 2015. The deferred tax in the balance sheet is based on the enacted tax rate of 23% at 31 March 2013. The deferred tax amount of £363,000 (2012 £414,000) represents £971,000 (2012 £1,578,000) relating to acquired intangible assets less an offset of £608,000 (2012 £1,164,000) relating to tax losses. The deferred tax liability at 31 March 2013 would be £47,000 lower using the expected phased reduction in rates down to 20%.

Unrecognised deferred tax assets

	2013 £'000	2012 £'000
Tax losses	5,580	3,548
Share-based payments	160	119
	5,740	3,667

Unrelieved tax losses amount to approximately £26.4 million (2012 £19.6 million), which are available indefinitely for offset against future taxable profits. A deferred tax asset has not been recognised on £23.7 million (2012 £14.8 million) of these losses on the basis that there is insufficient evidence that this asset will be recoverable as at the balance sheet date. An asset will only be recognised with improved certainty and quantification of taxable profits.

10 Loss per share

Unadjusted loss per share

	Loss after taxation 2013 £'000	Weighted average number of shares 2013 No	Loss per share 2013 Pence	Loss after taxation 2012 £'000	Weighted average number of shares 2012 No	Loss per share 2012 Pence
Basic loss per share	(9,916)	45,530,712	(21 78)	(3,541)	43,660,670	(8 11)
Diluted loss per share	(9,916)	45,530,712	(21 78)	(3,541)	43,660,670	(8 11)

Adjusted loss per share

	Loss after taxation 2013 £'000	Weighted average number of shares 2013 No	Loss per share 2013 Pence	Loss after taxation 2012 £'000	Weighted average number of shares 2012 No	Loss per share 2012 Pence
Loss attributable to ordinary shareholders	(9,916)	45,530,712	(21 78)	(3,541)	43,660,670	(8 11)
Add back						
Amortisation of acquired intangible assets, net of tax	1,658	–	3 64	1,833	–	4 20
IPO, placing costs and acquisition costs	369	–	0 81	754	–	1 72
Adjustments to deferred consideration	(1,384)	–	(3 04)	(5,004)	–	(11 46)
Gain on bargain purchase	–	–	–	(152)	–	(0 35)
Reorganisation costs	769	–	1 69	510	–	1 17
Impairment of acquired intangibles	1,015	–	2 23	–	–	–
Basic adjusted loss per share	(7,489)	45,530,712	(16 45)	(5,600)	43,660,670	(12 83)
Diluted adjusted loss per share	(7,489)	45,530,712	(16 45)	(5,600)	43,660,670	(12 83)

The Directors consider that adjusted loss per share better reflects the underlying performance of the Group

The inclusion of potential Ordinary Shares arising from LTIPs and Incentive Shares would be anti-dilutive. Basic and diluted loss per share has therefore been calculated using the same weighted number of shares. If the Incentive Shares had become convertible on 31 March 2013 and based on the share price of £1 850 (2012 £1 815) on that day, 1,540,401 (2012 1,542,545) Ordinary Shares would have been issued in respect of the Incentive Share conversion. Full details as to the basis of calculation is given in the Admission Document available on the Company's website. The Incentive Shares will immediately vest on change of control of the Company.

Notes to the financial information continued

11 Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Computers, ancillary equipment and electronic test equipment £'000	Vehicles £'000	Demonstration stock £'000	Total £'000
Cost						
At 31 March 2011	186	31	139	22	101	479
Additions	33	78	90	–	242	443
Business combinations	16	28	51	17	147	259
Disposals	–	(4)	(1)	–	–	(5)
Exchange movements	–	(1)	1	–	–	–
At 31 March 2012	235	132	280	39	490	1,176
Additions	167	417	178	–	691	1,453
Business combinations	–	12	3	–	7	22
Reclassification of assets	(90)	260	(175)	5	–	–
Disposals	(15)	(60)	(26)	(12)	(216)	(329)
Exchange movements	–	–	–	–	–	–
At 31 March 2013	297	761	260	32	972	2,322
Accumulated depreciation						
At 31 March 2011	29	9	28	9	15	90
Charge for the period	31	82	39	9	32	193
Exchange movements	–	–	1	–	–	1
At 31 March 2012	60	91	68	18	47	284
Charge for the period	37	124	124	14	472	771
Reclassification of assets	(27)	137	(120)	–	10	–
Disposals	(8)	–	(25)	(4)	(66)	(103)
Exchange movements	–	–	–	–	–	–
At 31 March 2013	62	352	47	28	463	952
Net book value						
At 31 March 2013	235	409	213	4	509	1,370
At 31 March 2012	175	41	212	21	443	892

12 Goodwill

	Note	Goodwill £'000
At 31 March 2011		12,966
Acquisition of Zmith	20	2,872
Acquisition of Keeneo	20	3,970
Acquisition of Stryker	20	1,187
Acquisition of LMW	20	277
Acquisition of Codestuff	20	519
Other acquisitions	20	147
Exchange movements		(222)
At 31 March 2012		21,716
Acquisition of E-Tech	20	169
Acquisition of Visimetrics	20	2,736
Exchange movements		26
At 31 March 2013		24,647
Carrying amount of goodwill allocated to operating segments		
	2013 £'000	2012 £'000
Services	3,582	3,582
Products	21,065	18,134
	24,647	21,716

12. Goodwill continued

Goodwill acquired through business combinations has been allocated for impairment testing purposes to two groups of Cash-Generating Units ('CGUs'). These groups of CGUs are its two operating segments 'services' and 'products' as the goodwill relates to synergies at this level. The Group conducts annual impairment tests on the carrying value of the CGUs in the balance sheet. Although required to perform annual impairment tests, these do not have to take place at 31 March but the test should be consistently carried out at the same time annually. The Group carries out its annual impairment testing as at 28 February each year. Impairment testing is only reperformed if an impairment triggering event occurs in the intervening period. No such event has occurred since 28 February 2013.

Value in use calculations are used to determine the recoverable amount of cash-generating units. The key assumptions for the value in use calculations are the forecast performance expectations of each CGU, the discount rate applied and the long-term growth rate of the net operating cash flows. In determining the key assumptions, management have taken into consideration the current economic climate, the resulting impact on expected growth and pre-tax discount rates, and the pressure this places on impairment calculations.

The Group prepares cash flow forecasts for these cash-generating units based on the most recent three-year detailed financial forecasts. These cash flow forecasts are based on historical internal information and the expected growth in revenue and margins. Cash flow growth of 2.5% (2012: 2.5%), being an external estimate of the UK's long-term growth rate has been assumed after management's three-year forecast period. The Group's pre-tax discount rate of 11.7% (2012: 10.5%) has been applied, based on the weighted cost of capital, and reflects the current market assessments of the time value of money and of the risks specific to the cash generating units. No impairment losses have been recognised to date.

The Directors consider that an absolute change of 2.5% in the discount rate and 1.0% in the long-term growth rate are the maximum changes that should be considered as reasonably possible. A change in the absolute rates by 2.5% and 1.0% respectively in isolation would not result in an impairment charge of goodwill. The Directors also consider changes of 10.0% and 20.0% in the detailed financial forecasts for the services and products segments respectively as being reasonably possible, which in isolation would not result in an impairment charge of goodwill.

13. Other intangible assets

	Note	Patents and Trademarks £'000	Intellectual property £'000	Order backlog £'000	Customer relationships £'000	Total £'000
Cost						
At 31 March 2011		103	1,415	224	4,838	6,580
Acquisition of Zimiti	20	–	1,609	200	–	1,809
Acquisition of Keeneo	20	–	669	–	102	771
Acquisition of Stryker	20	–	101	9	60	170
Acquisition of LMW	20	–	85	17	47	149
Acquisition of Codestuff	20	–	293	–	–	293
Acquisition of ThruVision	20	–	509	–	16	525
Other acquisitions	20	–	–	28	25	53
Internally developed		–	251	–	–	251
Purchased		115	198	–	–	313
Exchange movement		–	(38)	–	(4)	(42)
At 31 March 2012		218	5,092	478	5,084	10,872
Acquisition of E-Tech	20	–	–	–	58	58
Acquisition of Visimetrics	20	–	635	185	111	931
Internally developed		–	24	–	–	24
Purchased		–	73	–	–	73
Exchange movement		–	22	–	–	22
At 31 March 2013		218	5,846	663	5,253	11,980

Notes to the financial information continued

13 Other intangible assets continued

Note	Patents and Trademarks £'000	Intellectual property £'000	Order backlog £'000	Customer relationships £'000	Total £'000
Accumulated amortisation					
At 31 March 2011	6	104	56	502	668
Charge for the period	15	676	365	1,000	2,056
Exchange movement	–	(2)	–	–	(2)
At 31 March 2012	21	778	421	1,502	2,722
Charge for the period	25	1,062	70	945	2,102
Provision for impairment	–	878	–	458	1,336
Exchange movement	–	(8)	–	–	(8)
At 31 March 2013	46	2,710	491	2,905	6,152
Net book value					
At 31 March 2013	172	3,136	172	2,348	5,828
At 31 March 2012	197	4,314	57	3,582	8,150

The net book values of individually material intangible assets and their remaining useful life at the end of each period were as follows

	Carrying value 2013 £'000	Remaining useful life Years 2013	Carrying value 2012 £'000	Remaining useful life Years 2012
SAL customer relationships	311	2 0	467	3 0
Overtis Solutions customer relationships	559	2 3	798	3 3
COE customer relationships	346	2 4	489	3 4
Waterfall Solutions customer relationships	295	2 6	889	3 6
EVS customer relationships	544	3 0	726	4 0
Waterfall Solutions intellectual property	166	2 6	439	3 6
Zimih intellectual property	1,019	3 2	1,341	4 2
Keeneo development costs	74	3 3	786	4 3
ThruVision intellectual property	399	3 9	500	4 9
Visimetrics intellectual property	603	4 8	–	–

14. Inventories

	2013 £'000	2012 £'000
Raw materials	1,133	1,063
Work in progress	42	48
Finished goods and goods for resale	604	677
	1,779	1,788

15. Trade and other receivables

	Gross carrying amounts 2013 £'000	Provision for impairment 2013 £'000	Net carrying amounts 2013 £'000	Gross carrying amounts 2012 £'000	Provision for impairment 2012 £'000	Net carrying amounts 2012 £'000
Trade receivables	9,499	(34)	9,465	6,074	(118)	5,956
Prepayments and accrued income	2,103	–	2,103	643	–	643
Amounts recoverable on contracts	1,621	–	1,621	–	–	–
Other receivables	50	–	50	161	–	161
	13,273	(34)	13,239	6,878	(118)	6,760

The Group's credit risk on trade and other receivables is primarily attributable to trade receivables and amounts recoverable on contracts. One customer represents £2,426,000 (2012: £1,247,000) of the Group's trade receivables at 31 March 2013 which has been paid in full since year-end. There is no other significant concentration of credit risk.

The Group believes that the carrying amounts of the Group's trade receivables by the type of customer gives a fair presentation of the credit quality of the assets.

	2013 £'000	2012 £'000
Government customers	4,117	2,629
Commercial customers	5,348	3,327
	9,465	5,956

Trade receivables of £2,461,000 (2012: £1,189,000) were past due but not impaired. These relate to a number of independent customers and are considered to be fully recoverable.

The movement in the provision for doubtful debts is as follows:

	£'000
At 31 March 2011	355
Business combinations	6
Provided in period	38
Utilised	(170)
Released	(111)
At 31 March 2012	118
Business combinations	–
Provided in period	17
Utilised	(36)
Released	(65)
At 31 March 2013	34

Trade receivables, net of an allowance of £34,000 (2012: £118,000) for doubtful debts, are aged as follows:

	2013 £'000	2012 £'000
Not due	7,004	4,767
Not more than three months past due	1,731	955
More than three months but not more than six months past due	396	7
More than six months past due	334	227
	9,465	5,956

Notes to the financial information continued

16 Trade and other payables

	2013 £'000	2012 £'000
Current		
Trade payables	3,892	2,807
Accruals	887	2,753
Payments received on account	190	275
Social security and other taxes	861	835
Other payables	208	124
	6,038	6,794

17. Financial liabilities

	2013 £'000	2012 £'000
Current		
Incentive Shares	218	218
Deferred consideration	665	1,532
	883	1,750
Non-current		
Deferred consideration	202	1,000

The movement in the provision for deferred consideration is shown in note 20c

18 Share capital

	Number	£'000
Authorised, allotted, called-up and fully paid		
Ordinary Shares of 1 pence each		
At 31 March 2011	43,532,500	436
Shares issued on acquisition of Keeneo SAS	195,460	1
At 31 March 2012	43,727,960	437
Shares issued on 3 May 2012 in respect of the acquisition of Keeneo SAS	59,216	1
Shares issued on 2 January 2013	7,172,414	72
At 31 March 2013	50,959,590	510

	Number	£ 000
Authorised, allotted, called-up and fully paid		
Incentive Shares of £1 each		
At 31 March 2012 and 2013	217,500	218

On 5 August 2011 the Company issued 195,460 £0 01 Ordinary Shares on the acquisition of Keeneo (see note 20)

On 3 May 2012 the Company issued 59,216 £0 01 Ordinary Shares as deferred consideration in relation to the acquisition of Keeneo

On 2 January 2013 the Company issued 7,172,414 £0 01 Ordinary Shares for total cash consideration of £10,400,000

19. Employee share schemes

Long Term Incentive Plan

Certain employees of the Group receive remuneration in the form of awards under a Long Term Incentive Plan ('LTIP') in the form of nil-cost options and HMRC Approved Options. The Group combines Parallel Options at nil-cost with HMRC Approved Options so that the value awarded to employees is not more than a Top-Up Award. Tom Black, Colin Evans and Zak Doffman do not participate in this plan.

The performance and service conditions include market conditions, which are set out in the Remuneration report on pages 36 and 37. The total amount to be expensed over the vesting period of the awards is determined by reference to the fair value at the date at which the awards or options are granted and the number of awards that are expected to vest. The fair value is determined using the Stochastic model. Market conditions are incorporated into the fair value calculation at grant date using multiple simulations of the Stochastic model. Expected volatility was determined taking into account historic volatility of the Group's share price and the volatility of similar companies' share price. The number of awards expected to vest are adjusted to reflect the extent to which non-market performance and service conditions are expected to be satisfied, based on conditions prevailing at each balance sheet date and up to the date of vesting. At the vesting date, the cumulative expense recognised in the income statement is adjusted to take account of the number of awards and options that actually vest on the above basis. Parallel Options are valued at the difference between the value of a Top-Up Award and an HMRC Approved Option. At the date of grant, it was assumed that the non-market performance conditions would be met. Adjustments are made subsequently, where necessary, to reflect updated assessments of whether performance conditions will be met.

It is the intention of the Group that shares needed to satisfy awards will be purchased in the market to the extent that they are not already held by the Group's employee share trust, unless it is in the interests of the Group to issue new shares.

The movements in the number of awards and options is shown below.

	HMRC Approved Options		Parallel Options		Top Up Awards	
	Number of options	Weighted average exercise price £	Number of options*	Weighted average exercise price £	Number of awards	Weighted average exercise price £
Outstanding at 31 March 2011	216,184	1 702	216,184*	nil	100,084	nil
Granted	227,411	1 692	227,411	nil	346,012	nil
Forfeited	(56,538)	1 681	(56,538)	nil	(31,105)	nil
Outstanding at 31 March 2012	387,057	1 699	387,057	nil	414,991	nil
Granted	229,049	1 692	229,049	nil	698,120	nil
Forfeited	(88,543)	1 750	(88,543)	nil	(102,499)	nil
Outstanding at 31 March 2013	527,563	1 692	527,563	nil	1,010,612	nil
Exercisable at 31 March 2012	-	-	-	-	-	-
Exercisable at 31 March 2013	-	-	-	-	-	-
For the year ended 31 March 2013:						
Range of exercise prices	£1 500 – £1 875		nil		nil	
Weighted average remaining contractual life	8.47 years		8.47 years		8.89 years	
For the period ended 31 March 2012:						
Range of exercise prices	£1 560 – £1 875		nil		nil	
Weighted average remaining contractual life	9.04 years		9.04 years		9.19 years	

*The number of Parallel Options that will vest are not fixed and will, together with an HMRC Approved Option, deliver the same value to the employee as a Top-Up Award.

Notes to the financial information continued

19. Employee share schemes continued

Assumptions used in the valuation of share-based payment charge

The fair value of share awards granted in the period and the assumptions used in the calculation of their fair value on the date of grant were as follows

	HMRC Approved Options 3 August 2011	Parallel Options 3 August 2011	Top Up awards 3 August 2011	HMRC Approved Options 25 November 2011	Parallel Options 25 November 2011	Top-Up awards 25 November 2011
Number granted	132,249	132,249	301,565	92,066	92,066	44,447
Fair value per option/award	£0 43	£0 40	£0 83	£0 43	£0 51	£0 93
Share price on date of grant	£1 775	£1 775	£1 775	£1 575	£1 575	£1 575
Exercise price	£1 775	nil	nil	£1 575	nil	nil
Vesting period (years)	3 0	3 0	3 0	3 0	3 0	3 0
Volatility	40%	40%	40%	40%	40%	40%
Risk-free rate of return	0 78%	n/a	n/a	0 60%	n/a	n/a
Expected life (years)	3 0	3 0	3 0	3 0	3 0	3 0
Expected dividend yield	nil	nil	nil	nil	nil	nil

	HMRC Approved Options 9 December 2011	Parallel Options 9 December 2011	Top-Up awards 9 December 2011	HMRC Approved Options 7 June 2012	Parallel Options 7 June 2012	Top-Up awards 7 June 2012
Number granted	3,096	3,096	–	175,718	175,718	472,878
Fair value per option/award	£0 44	£0 54	–	£0 45	£0 45	£0 90
Share price on date of grant	£1 615	£1 615	–	£1 750	£1 750	£1 750
Exercise price	£1 615	nil	–	£1 750	nil	nil
Vesting period (years)	3 0	3 0	–	3 0	3 0	3 0
Volatility	40%	40%	–	40%	40%	40%
Risk-free rate of return	0 46%	n/a	–	0 40%	n/a	n/a
Expected life (years)	3 0	3 0	–	3 0	3 0	3 0
Expected dividend yield	nil	nil	–	nil	nil	nil

	HMRC Approved Options 29 June 2012	Parallel Options 29 June 2012	Top Up awards 29 June 2012	HMRC Approved Options 7 December 2012	Parallel Options 7 December 2012	Top-Up awards 7 December 2012
Number granted	–	–	28,570	53,331	53,331	196,672
Fair value per option/award	–	–	£0 70	£0 26	£0 44	£0 70
Share price on date of grant	–	–	£1 550	£1 500	£1 500	£1 500
Exercise price	–	–	Nil	£1 500	nil	nil
Vesting period (years)	–	–	3 0	3 0	3 0	3 0
Volatility	–	–	40%	26 9%	26 9%	26 9%
Risk-free rate of return	–	–	n/a	0 31%	n/a	n/a
Expected life (years)	–	–	3 0	3 0	3 0	3 0
Expected dividend yield	–	–	nil	nil	nil	nil

It has been assumed that there will not be any early exercise of awards

A charge of £301,000 (2012 £159,000) has been made in the income statement to spread the fair value of the awards over the three year service obligations of these incentives

Employee Benefit Trust

The Digital Barriers plc Employee Benefit Trust's (the 'Trust') objective is to hold shares in Digital Barriers plc to satisfy awards under the Long Term Incentive Plan. Costs of running the Trust are charged to the income statement. Shares held by the Trust are deducted from the profit and loss reserve and held at cost to the Trust. At 31 March 2013 the Trust did not hold any shares in the Company (2012 nil)

19 Employee share schemes continued

Incentive Shares

On 22 February 2010, Tom Black, Colin Evans and Zak Doffman were issued a total of 217,500 Incentive Shares totalling £217,500 in a share for share exchange for Digital Barriers Services Limited shares. The Incentive Shares only reward participants if shareholder value is created, thereby aligning the interests of the Executive Directors with those of shareholders. The Incentive Shares carry the right to 12.5% of any increase in the value of the Company in excess of the retail prices index after 1 February 2010. The Incentive Shares do not carry any voting or dividend rights and are not transferable except in limited circumstances.

The holders of Incentive Shares can realise value from the shares either by converting them into Ordinary Shares or by the Company, at its election, responding to a request to so convert the shares by choosing to redeem them.

On issue, in February 2010, the terms relating to the Incentive Shares provided that 50% of the Incentive Shares would vest (i.e. become capable of conversion into Ordinary Shares) on 1 February 2013 and 50% would vest on 1 February 2014.

The fair value was determined using a Stochastic model. The fair value of the Incentive Shares was recognised as a current liability on the balance sheet as it becomes repayable if the Executive Directors leave office. The fair value of the Incentive Shares was determined to be equivalent to the amount issued (£217,500) and hence no share-based payment charge was recognised.

The valuation of Incentive Shares was determined by running a series of scenarios, which used variables of the amount of equity capital raised at the IPO and the amount of cash used in acquisitions. The scenarios incorporated assumptions on the market valuation of the Company at grant (£3 million), inflation over the period to conversion (2.91%), expected Beta of companies invested in (0.7) and expected equity risk premium at grant date (4.82%). It has also been assumed that there will not be any early exercise of Incentive Shares.

Modification to terms

At a General Meeting held on 27 December 2012, the terms relating to the Incentive Shares were changed so that 25% of the Incentive Shares will vest on the date being five business days after the publication of the Company's preliminary results for the immediately preceding financial year and 31 May of that year whichever is earlier in each of 2013, 2014, 2015 and 2016.

The total amount to be expensed over the vesting period of the modified Incentive Shares has been calculated in the year by reference to the incremental fair value on 27 December 2012 of the modified Incentive Shares compared to the fair value on 27 December 2012 of the original Incentive Shares. This resulted in a charge to the Consolidated Income Statement in the year of £35,000 (2012: £nil). The total incremental fair value chargeable over the period to June 2016 is £246,000.

The key assumptions used in the calculation of the incremental fair value on modification were as follows:

Conversion date	June 2013	June 2014	June 2015	June 2016
Share price volatility	26.9%	25.4%	26.2%	26.9%
Risk free rate of return	0.33%	0.32%	0.39%	0.53%
RPI	3.1%	2.7%	2.5%	2.9%

The original fair value of the Incentive Shares, £217,500, is still recognised as a current liability on the balance sheet because it becomes repayable if the Executive Directors leave office.

Conversion

If the Incentive Shares had become convertible on 31 March 2013 and based on the share price of £1.850 (2012: £1.815) on that day, 1,540,401 (2012: 1,542,545) Ordinary Shares would have been issued in respect of the Incentive Share conversion. Full details as to the basis of calculation is given in the placing document available on the Company's website. The Incentive Shares will immediately vest on change of control following a takeover bid.

Notes to the financial information continued

20. Business combinations

a) Business combinations in the year ended 31 March 2013

The Group has made two acquisitions during the year, each of which the Board believes has a product set and technology capabilities that are complementary to those already offered by the Group and which will expand the solutions the Group can bring to its customers. These acquisitions were all made into the Group's Products Division.

e-Tech

On 23 April 2012, the Group acquired the complete product set and intellectual property, along with certain customer contracts, of Enterprise Technologies (UK) Limited ('e-Tech'). e-Tech's exceptionally skilled staff have backgrounds in technical surveillance, military and commercial communications technologies across the defence and security sectors. These employees have now joined the Group under the terms of the acquisition. Together with their very highly regarded, and complementary to the Group, technology capabilities, they are expected to expand the range of solutions the Group can offer to its customers. e-Tech is part of the Group's Products Division.

Visimetrics

On 4 January 2013, the Group acquired 100% of the voting equity interests in Visimetrics (UK) Limited ('Visi') including its subsidiary OmniPerception Limited ('Omni'). Founded in 1996, Visi develops and manufactures high-performance digital video recording, storage and management systems for video surveillance systems. Its customers include law enforcement, criminal justice, defence and other public sector organisations. Its subsidiary Omni, with whom Visi merged in April 2012, is an industry leader in the design and development of facial recognition video systems and advanced image processing systems.

Purchase consideration

The purchase consideration for each acquisition was as follows:

	e-Tech £'000	Visi £'000	Total £'000
Cash consideration	149	3,200	3,349
Discounted fair value of deferred consideration	227	421	648
Total consideration	376	3,621	3,997

Pre-tax cost of debt	5.9%	6.0%
Undiscounted fair value of deferred consideration	231	457

In accordance with IFRS 3R the Directors have assessed the undiscounted fair value of deferred consideration payable for each acquisition as stated above, based on a probability weighted average of expected cash flows. The discounted fair values of deferred consideration payable have been calculated from the undiscounted amounts using the pre-tax cost of debt as stated above.

The e-Tech initial cash consideration paid on completion was £149,000. Based on sales of e-Tech products by Digital Barriers between completion and 31 March 2013, further deferred consideration of £200,000 is payable in cash.

The Visi maximum consideration is £8.0 million payable in cash and new Ordinary Shares at the Group's discretion. Initial cash consideration of £3.3 million was paid less debt and working capital adjustments of £0.1 million. Deferred consideration of up to £4.7 million is payable over the period from completion to 31 December 2014, subject to revenue and profit targets. Up to £3.5 million of the deferred consideration may be satisfied through the issue of new Ordinary Shares, with the balance satisfied in cash. Up to £2.35 million of the deferred consideration is based on revenue and profit targets for the year ended 31 December 2013 and a further £2.35 million on the year ended 31 December 2014.

Total acquisition costs of £369,000 (2012: £754,000) were incurred and recorded within the administration costs line in the income statement.

20 Business combinations continued

Assets and liabilities

The carrying amount of assets and liabilities in the books of the acquiree were as follows

	e Tech £'000	Visi £'000	Total £'000
Property, plant and equipment	7	15	22
Intangible assets	—	13	13
Trade and other receivables	10	373	383
Inventories	149	192	341
Cash and cash equivalents	—	(41)	(41)
Trade and other payables	(17)	(368)	(385)
Tax payable	—	(22)	(22)
Deferred tax liability	—	—	—
Total carrying amount	149	162	311

The following fair value adjustments have been made

	e Tech £'000	Visi £'000	Total £'000
Property, plant and equipment	—	—	—
Intangible assets	58	918	976
Trade and other receivables	—	—	—
Inventories	—	—	—
Cash and cash equivalents	—	—	—
Trade and other payables	—	—	—
Tax payable	—	—	—
Deferred tax liability	—	(195)	(195)
Total fair value adjustments	58	723	781

The fair values of the assets and liabilities and the associated goodwill arising from the acquisitions are as follows. Those for Visi are still considered to be provisional as the Group expects to receive further information relevant to the net assets acquired

	e Tech £'000	Visi £'000	Total £'000
Property, plant and equipment	7	15	22
Intangible assets	58	931	989
Trade and other receivables	10	373	383
Inventories	149	192	341
Cash and cash equivalents	—	(41)	(41)
Trade and other payables	(17)	(368)	(385)
Tax payable	—	(22)	(22)
Deferred tax liability	—	(195)	(195)
Net assets acquired	207	885	1,092
Goodwill	169	2,736	2,905
Purchase consideration	376	3,621	3,997

Trade and other receivables acquired have been recognised at fair value, which equates to the gross contractual amounts receivable. All amounts recognised are expected to be collected.

The goodwill is attributable to the value of expected synergies with the Group's operations and the value of the assembled workforce including industry specific knowledge and technical skills. None of the goodwill recognised is expected to be deductible for income tax purposes.

Notes to the financial information continued

20 Business combinations continued

Contribution during the year

The cash flows arising from the acquisitions were as follows

	e-Tech £'000	Visi £'000	Total £'000
Initial cash consideration on completion	149	3,200	3,349
Net (cash)/debt acquired	–	41	41
Cash outflow	149	3,241	3,390

From the date of acquisition to the 31 March 2013, the acquired businesses contributed the following revenues and profit before tax to the Group

	e-Tech ⁽¹⁾ £'000	Visi £'000	Total £'000
Revenue	n/a	418	418
Profit/(loss) before tax	n/a	(18)	(18)

(1) On acquisition, e-Tech was fully absorbed into the Group's TVI operation, therefore no individual data exists for e-Tech in the post-acquisition period

If each of the acquisitions had occurred on 1 April 2012, the Group's pro forma annual revenue and loss before tax for the year ended 31 March 2013, based on unaudited management information for the acquired entities, would have been approximately £24.5 million and £12.1 million respectively

b) Business combinations during the period ended 31 March 2012

During the period ended 31 March 2012, the Group made material acquisitions of Zimiti Limited ('Zimiti'), Keeneo SAS ('Keeneo'), Stryker Communications Limited ('Stryker'), LMW Electronics ('LMW'), Codestuff Limited ('Codestuff') and ThruVision

The fair value of the identifiable assets and liabilities of the acquisitions are set out below

	Zimiti £'000	Keeneo £'000	Stryker £'000	LMW £'000	Codestuff £'000	ThruVision £'000	Other £'000	Total £'000
Property, plant and equipment	–	37	42	113	11	56	–	259
Intangible assets	1,809	771	170	149	293	525	53	3,770
Trade and other receivables	23	262	159	4	113	–	–	561
Current tax recoverable	30	58	–	–	70	–	–	158
Inventories	–	–	194	–	–	634	–	828
Cash and cash equivalents	6	16	14	–	(5)	–	–	31
Trade and other payables	(694)	(1,210)	(290)	(4)	(228)	(85)	–	(2,511)
Tax payable	–	–	(2)	–	(76)	(28)	–	(106)
Deferred tax liabilities	–	–	(41)	–	(58)	–	–	(99)
Net assets acquired	1,174	(66)	246	262	120	1,102	53	2,891
Initial cash consideration	878	1,416	716	450	639	950	200	5,249
Issue of share capital	–	349	–	–	–	–	–	349
Fair value of deferred consideration	3,168	2,139	717	89	–	–	–	6,113
Total consideration	4,046	3,904	1,433	539	639	950	200	11,711
Goodwill arising from acquisition	2,872	3,970	1,187	277	519	(152)	147	8,820

If each of the acquisitions had occurred on 1 April 2011, the start of the Group's normal accounting year, the Group's pro forma annual revenue and loss before tax for the year ended 31 March 2012, based on unaudited management information for the acquired entities, would have been approximately £18.7 million and £6.1 million respectively

20 Business combinations continued

c) Movements on deferred consideration

Since the date of each acquisition, the following movements in the amounts recognised for deferred consideration have taken place

	SAL £'000	WS £'000	EVS £'000	Zimith £'000	Keeneo £'000	Stryker £'000	LMW £'000	e Tech £'000	Visi £'000	Total £'000
At 31 March 2011	836	1,393	1,581	–	–	–	–	–	–	3,810
On acquisition	–	–	–	3,168	2,139	717	89	–	–	6,113
Unwind of discount	14	70	69	131	60	12	1	–	–	357
Paid	(850)	(669)	(200)	–	(315)	–	–	–	–	(2,034)
Released	–	(794)	(1,450)	–	(1,742)	–	–	–	–	(3,986)
Reassessed	–	–	–	(1,693)	–	–	–	–	–	(1,693)
Exchange movements	–	–	–	–	(35)	–	–	–	–	(35)
At 31 March 2012	–	–	–	1,606	107	729	90	–	–	2,532
On acquisition	–	–	–	–	–	–	–	227	421	648
Unwind of discount	–	–	–	69	–	21	–	4	5	99
Paid	–	–	–	–	(107)	(750)	(60)	(12)	–	(929)
Released	–	–	–	(617)	–	–	(30)	(31)	–	(678)
Reassessed	–	–	–	(805)	–	–	–	–	–	(805)
At 31 March 2013	–	–	–	253	–	–	–	188	426	867

As at 31 March 2013, the maximum deferred consideration payable in the future is £8.6 million (2012: £9.7 million), up to £5.4 million (2012: £4.3 million) of which may be satisfied through the issue of new Ordinary Shares, and the remainder satisfied in cash (see note 21). The movement from the prior year is due to the completion of the full earn-out periods for the Keeneo, Stryker and LMW acquisitions and the partial completion of the earn-out for the Zimith acquisition, partly offset by the acquisitions of e-Tech and Visimetrics in the current year.

21 Financial instruments

Categories of financial assets and liabilities

The Group had the following financial assets and liabilities

	Note	Amortised cost 2013 £'000	Amortised cost 2012 £'000
Assets as per balance sheet			
Trade receivables	15	9,465	5,956
Amounts recoverable on contracts	15	1,621	–
Other receivables	15	50	161
Cash and cash equivalents		5,544	15,289
		16,680	21,406

Notes to the financial information continued

21. Financial instruments continued

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques

Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

	Note	Liabilities at fair value through profit and loss 2013 £'000	Amortised cost 2013 £'000	Total 2013 £'000	Liabilities at fair value through profit and loss 2012 £'000	Amortised cost 2012 £'000	Total 2012 £'000
Liabilities as per balance sheet							
Trade payables	16	–	3,892	3,892	–	2,807	2,807
Accruals	16	–	887	887	–	2,753	2,753
Other payables	16	–	208	208	–	124	124
Incentive Shares	17	–	218	218	–	218	218
Deferred consideration (Level 3)	20c	867	–	867	2,532	–	2,532
		867	5,205	6,072	2,532	5,902	8,434

The Directors estimate that the carrying value of the financial assets and liabilities are not significantly different to their fair value. Please see note 20 for the assumptions used in determining the fair value of Deferred consideration

The amounts below are contractual undiscounted cash flows and include both interest and principal amounts

	Note	On demand or less than one year 2013 £'000	One to two years 2013 £'000	Total 2013 £'000	On demand or less than one year 2012 £'000	One to two years 2012 £'000	Total 2012 £'000
Liabilities							
Trade payables	16	3,892	–	3,892	2,807	–	2,807
Accruals	16	887	–	887	2,753	–	2,753
Other payables	16	208	–	208	124	–	124
Incentive Shares	17	218	–	218	218	–	218
Deferred consideration	20c	6,288	2,350	8,638	6,657	3,000	9,657
		11,493	2,350	13,843	12,559	3,000	15,559

Financial risk management

The Group has a centralised treasury function, providing a service to the Group for funding and foreign exchange management. Treasury activities are managed under policies and procedures approved and monitored by the Board. These are designed to reduce the financial risks faced by the Group, which primarily relate to credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group does not undertake any trading or speculative activity in financial instruments.

Credit risk

The Board monitors the Group's exposure to credit risk on an on-going basis. Cash investments are only allowed in liquid securities with major financial institutions that satisfy specific criteria. The maximum credit risk exposure at the balance sheet date is represented by the carrying value of financial assets. Cash investments are broadly split equally between two major financial institutions. The Board carries out a formal review of its banking arrangements on a six-monthly basis. Details of the Group's credit risk on trade and other receivables can be found in note 15.

Customer concentration risk

The Group monitors its exposure to customer concentration risk on an on-going basis. The amount of the risk exposure is shown in note 15.



21 Financial instruments continued

Foreign currency risk

Operations are subject to foreign exchange risk from committed transactions denominated in currencies other than their functional currency and, once recognised, the revaluation of foreign currency denominated assets and liabilities

To mitigate foreign exchange risk arising from transactions denominated in other currencies, the Group's policy is to eliminate 50% of significant currency exposures on award of contract and 50% at the time customer invoices are raised, through forward currency contracts or borrowings denominated in the foreign currency. 29% (2012: 22%) of the revenue of the Group was derived from customers outside the UK. Approximately 5% (2012: 8%) of Group revenue was invoiced in the foreign currencies of the customers involved. All other revenue is denominated in the local currency of the relevant entity.

Owing to the small transaction sizes, there were no forward currency contracts entered into during the year (2012: nil).

The Group is exposed to movements in foreign currency exchange rates in respect of the translation of net assets and income statements of foreign subsidiaries. The Group does not hedge the translation effect of exchange rate movements on the income statement or balance sheet of foreign subsidiaries, as it regards them as long-term investments.

Interest rate risk

The Group has Sterling denominated financial assets of £5,554,000 (2012: £15,289,000) at floating interest rates. A reasonably possible change in interest rates is 50 basis points. An increase of 50 basis points would give rise to an additional £28,000 (2012: £76,000) of finance revenue. A decrease of 50 basis points would give rise to a reduction in finance revenue of £28,000 (2012: £76,000). The Group is not exposed to interest rate risks on other assets and liabilities, which are transacted on normal commercial terms.

Liquidity risk

The Group's policy is to maintain sufficient headroom to meet its foreseeable financing requirements. Substantial financial assets are held by the Group to meet its planned requirements. Further information on the Group's cash position can be found in the Financial review on page 14.

Capital risk management

The Group defines its capital as its Total equity. At this stage of the Group's development, its policy is to have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefit to investors and to fund its existing operations. At 31 March 2013, total equity amounted to £45,893,000 (2012: £45,292,000).

The declaration and payment by the Group of any future dividends on the Ordinary Shares and the amount will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time. However, given the Group's early stage of development, the Directors do not envisage that the Group will pay dividends in the foreseeable future and intend to reinvest surplus funds in the development of the Group's business. The Board will regularly review the appropriateness of its dividend policy.

22. Obligations under operating leases

At period end, the Group had commitments under non-cancellable operating leases, principally for offices and vehicles, as follows:

	Land and buildings 2013 £'000	Other 2013 £'000	Total 2013 £'000	Land and buildings 2012 £'000	Other 2012 £'000	Total 2012 £'000
Future minimum lease payments payable						
Within one year	503	134	637	394	158	552
After one year but not more than five years	525	47	572	453	108	561
After five years	58	–	58	180	–	180
	1,086	181	1,267	1,027	266	1,293

The Group has no sub-leases or contingent rentals.

Notes to the financial information continued

23. Capital commitments

There are no capital commitments at 31 March 2013 (2012 nil)

24 Related party transactions

Remuneration

The remuneration of Directors and other members of key management, recognised in the income statement, is set out below in aggregate. Key management are defined as the Board of Digital Barriers plc and other persons classified as 'persons discharging managerial responsibility' under the rules of the Financial Conduct Authority. Currently no employees outside of the Directors are classified as 'persons discharging managerial responsibility'.

	2013 £'000	2012 £'000
Directors' remuneration	819	609

The highest paid Director received £271,000 (2012 £230,000) in the year. Key management compensation comprises short-term employee benefits (including national insurance) of £928,000 (2012 £689,000) and share-based payments of £25,000 (2012 £5,000).

During the year, Tom Black (Chairman) and John Woolhead (Company Secretary) each engaged our services division to provide installation services for them in a private capacity. All transactions were carried out at arms-length market rates. The values of the transactions were £13,000 and £4,000 respectively. None of the Company officers engaged any Group entities to provide similar services in the prior year. There were no amounts outstanding at the year end.

Other interest in shares

Other interests in shares of the Directors is included in the Remuneration report on page 40.

25. Principal subsidiaries

The following represent the principal subsidiary undertakings of the Group at 31 March 2013, all of which operate principally in their country of incorporation and are all wholly-owned by the Group.

Company name	Principal activity	Period of accounts	Group interest in allocated capital	Principally operates in	Country of incorporation
Digital Barriers Services Limited	Consulting services Integrated security solutions Head office function	1 April 2012 – 31 March 2013	100%	UK	England & Wales
Coe Limited*	Video surveillance products	1 April 2012 – 31 March 2013	100%	UK	England & Wales
Waterfall Solutions Limited	Advanced technology solutions and related consulting services	1 April 2012 – 31 March 2013	100%	UK	England & Wales
Essential Viewing Systems Limited*	Provider of wireless surveillance products	1 April 2012 – 31 March 2013	100%	UK	Scotland
Zimri Limited	Unattended ground sensor technology	1 April 2012 – 31 March 2013	100%	UK	England & Wales
Keeneo SAS	Proprietary video analytics software solutions	1 April 2012 – 31 March 2013	100%	France	France
Stryker Communications Limited*	Specialist engineering	1 April 2012 – 31 March 2013	100%	UK	England & Wales
Codestuff Limited	Internet protocol video solutions	1 April 2012 – 31 March 2013	100%	UK	Scotland
Visimetrics Limited	Video surveillance systems	1 January 2012 – 31 March 2013	100%	UK	Scotland
OmniPerception Limited*	Standoff facial recognition	1 August 2012 – 31 March 2013	100%	UK	England & Wales

*Held indirectly via intermediate holding companies

Management accounts for Visimetrics Limited and OmniPerception Limited have been used to consolidate their results from the date of acquisition.

Statement of Directors' responsibilities – Company financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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

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

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Digital Barriers plc

We have audited the parent company financial statements of Digital Barriers plc for the year ended 31 March 2013 which comprise the Company Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 77, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2013 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2013,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

- We have reported separately on the Group financial statements of Digital Barriers plc for the year to 31 March 2013

Ernst & Young LLP

Julian Gray (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28 May 2013

Notes

- 1 The maintenance and integrity of the Digital Barriers plc web site is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions



Company balance sheet

at 31 March 2013

	Note	31 March 2013 £'000	31 March 2012 £'000
Fixed assets			
Investments	3	19,202	18,018
Current assets			
Debtors – amounts falling due after one year	4	14,714	13,106
Debtors – amounts falling due within one year	4	103	72
Total debtors		14,817	13,178
Cash at bank and in hand		24,747	21,034
		39,564	34,212
Creditors – amounts falling due within one year	5	(800)	(1,411)
Net current assets		38,764	32,801
Total assets less current liabilities		57,966	50,819
Creditors – amounts falling due after more than one year	6	(202)	(1,000)
Net assets		57,764	49,819
Capital and reserves			
Called up share capital	7	510	437
Share premium account	8	57,989	48,012
Capital redemption reserve	8	4,735	4,735
Merger reserve	8	106	–
Other reserves	8	453	188
Profit and loss reserve	8	(6,029)	(3,553)
Equity shareholders' funds	8	57,764	49,819

The financial statements on pages 80 to 85 were approved by the Board of Directors on 28 May 2013 and were signed on its behalf by

Colin Evans
Group Managing Director

Nik Holgate
Group Finance Director




Notes to the Company balance sheet

at 31 March 2013

1. Accounting policies

Basis of preparation

The Company financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. The financial statements were authorised for issue by the Board of Directors on 28 May 2013 and the balance sheet was signed on the Board's behalf by Colin Evans and Nik Holgate. The Company has taken advantage of an exemption available in FRS 1 'Cash Flow Statements' and has not prepared a cash flow statement.

Investments

Investments in subsidiaries in the Company's balance sheet are held at cost less any accumulated impairment losses. The cost of investment is adjusted for reassessments and settlements of deferred consideration at amounts that differ from the assessments made at the date of acquisition.

Share options granted to subsidiary employees are included within Capital contributions within Fixed asset investments at the amount of the share-based payment charge incurred by the subsidiary.

Amounts incurred by the Company in respect of services provided by subsidiary employees to that subsidiary are included within Capital contributions within Fixed asset investments.

Financial instruments

The Company has taken advantage of the exemptions available in Financial Reporting Standard (FRS) 29 para 2(d) not to disclose any information relating to financial instruments as the Company's financial statements are included in publicly available consolidated financial statements.

The following policies for financial instruments have been applied in the preparation of the Company's financial statements.

Cash at bank and in hand

Cash at bank and in hand include deposits repayable on demand with any qualifying financial institution. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed. Cash includes cash in hand and deposits denominated in foreign currencies.

Debtors

Debtors are stated at amounts receivable less any provision for recoverability.

Share-based payments

Certain employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares under the Long Term Incentive Plan ('LTIPs'). The LTIP performance and service conditions include market conditions. The total amount to be expensed over the vesting period of the options and LTIPs is determined by reference to the fair value at the date at which the options or LTIPs are granted and the number of awards that are expected to vest. The fair value is determined using a Stochastic model taking into account any market vesting and non-vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional on a market vesting or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or for an instrument subject to a market condition or non-vesting condition be treated as vesting as described above. The movement in cumulative expense is recognised in the profit and loss account, with a corresponding entry in equity.

The Executive Directors have been issued an aggregate of 217,500 for Incentive Shares. The Incentive Shares only reward participants if shareholder value is created, thereby aligning the interests of the Executive Directors with those of shareholders. The Incentive Shares carry the right to 12.5% of any increase in the value of the Company in excess of the retail prices index after 1 February 2010 (as described in note 19 of the Group accounts). The Incentive Shares do not carry any voting or dividend rights and are not transferable except in limited circumstances. The holders of Incentive Shares can realise value from the shares either by converting them into Ordinary Shares or by the Company, at its election, responding to a request to so convert the shares by choosing to redeem them. They are treated as equity-settled awards with a market vesting condition. The total amount to be expensed over the vesting period of the Incentive Shares is determined by reference to the fair value at the date at which the Incentive Shares were acquired. The fair value is determined using a Stochastic model. The fair value of the Incentive Shares has been recognised as a current liability on the balance sheet as it becomes repayable if the Executive Directors leave office. The fair value of the Incentive Shares has been determined to be equivalent to the amount issued and hence no share-based payment charge has been recognised.

At a General Meeting held on 27 December 2012, the terms relating to the Incentive Shares were changed, triggering a revaluation. The total amount to be expensed over the vesting period of the modified Incentive Shares has been calculated in the year by reference to the incremental fair value on 27 December 2012 of the modified Incentive Shares compared to the fair value on 27 December 2012 of the original Incentive Shares. This resulted in a charge to the Consolidated Income Statement in the year of £35,000 (2012: £nil).

Notes to the Company balance sheet continued

1. Accounting policies continued

Employee Benefit Trust

The Digital Barriers plc Employee Benefit Trust (the 'Trust'), which purchases and holds Ordinary Shares of the Company in connection with certain employee share schemes, is consolidated in the Company's financial statements. Any consideration paid or received by the Trust for the purchase or sale of the Company's own shares is shown as a movement in shareholders' equity.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the recognition of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences will reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Dividends

Dividends payable to the Company's shareholders are recognised as a liability and deducted from shareholders' equity in the period in which the shareholders' right to receive payment is established.

Dividends receivable from the Company's subsidiaries are recognised in the profit and loss account when the right to receive payment is established.

2 Loss attributable to members of the Parent Company

As permitted by section 408 of the Companies Act 2006, the Company has not presented its profit and loss account. The loss for the period dealt with in the accounts of the Company was £2,547,000 (2012: £2,762,000).

3. Investments

	Shares in Group undertakings £'000	Capital contributions £'000	Total £'000
Cost			
At 31 March 2011	14,523	80	14,603
Additions	8,927	205	9,132
Movements in deferred consideration (see note 20 in the Group accounts)	(4,229)	—	(4,229)
At 31 March 2012	19,221	285	19,506
Additions	3,882	265	4,147
Movements in deferred consideration (see note 20 in the Group accounts)	(1,422)	—	(1,422)
At 31 March 2013	21,681	550	22,231
Amounts provided			
At 31 March 2011	—	—	—
Provision for impairment	1,488	—	1,488
At 31 March 2012	1,488	—	1,488
Provision for impairment	1,541	—	1,541
At 31 March 2013	3,029	—	3,029
Net book value			
At 31 March 2013	18,652	550	19,202
At 31 March 2012	17,733	285	18,018

During the year the Company acquired Visimetrics Limited for an initial consideration of £3,882,000, (including directly attributable acquisition costs). All of the Company's investments are unlisted. The impairment charge for the year relates to Keeneo SAS £800,000 (2012: £1,488,000) and Codestuff Limited £741,000 (2012: £nil), following the Board's assessment of the appropriate carrying value for each investment. The impairment charge was calculated using a value in use approach and the same assumptions were used as detailed in note 12 of the Group accounts, being a discount rate of 11.7% (2012: 10.5%), a three year forecast period and a 2.5% (2012: 2.5%) long-term growth rate.

3 Investments continued

Capital contributions in the period relate to share-based payments to employees of subsidiary undertakings of £265,000 (2012 £147,000) and amounts payable to a subsidiary's employees in relation to services provided to that subsidiary of £nil (2012 £58,000)

Details of the Company's acquisitions made in the period are included in note 20 of the Group accounts and details of its direct and indirect investments are included in note 25 of the Group accounts

4. Debtors

	2013 £'000	2012 £'000
Amounts falling due after one year		
Amounts owed by subsidiary undertakings	14,714	13,106
Amounts falling due within one year		
Other debtors	82	72
Prepayments and accrued income	21	–
	103	72

5. Creditors' amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	64	18
Accruals	41	–
Deferred consideration	477	717
Incentive Shares (note 7)	218	218
Social security and other taxes	–	–
Amounts due to subsidiary undertakings	–	401
Other creditors	–	57
	800	1,411

6. Creditors' amounts falling due after more than one year

	2013 £'000	2012 £'000
Deferred consideration	202	1,000

7. Share capital

	Number	£'000
Allotted, called-up and fully paid		
Ordinary Shares of 1 pence each		
At 31 March 2011	43,532,500	436
Shares issued on acquisition of Keeneo SAS	195,460	1
At 31 March 2012	43,727,960	437
Shares issued on 3 May 2012 in respect of the acquisition of Keeneo SAS	59,216	1
Shares issued on 2 January 2013	7,172,414	72
At 31 March 2013	50,959,590	510

Notes to the Company balance sheet continued

7 Share capital continued

	Number	£'000
Allotted, called-up and fully paid		
Incentive Shares of £1 each		
At 8 February 2010	–	–
Issue of shares	217,500	218
At 31 March 2012 and 2013	217,500	218

On 3 May 2012 the Company issued 59,216 Ordinary Shares in respect of the acquisition of Keeneo (note 20 of the Group accounts)

On 2 January 2013 the Company issued 7,172,414 £0.01 shares for total cash consideration of £10,400,000

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares under the Long Term Incentive Plan. Details of awards granted by the Company in the period are contained in note 19 of the Group accounts. A charge of £71,000 (2012: £12,000) in respect of the Company's employees has been recognised in the period. A capital contribution of £265,000 (2012: £147,000) has been recognised in the period in respect of awards made to employees of other Group companies.

8 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserves £'000	Profit and loss reserve £'000	Total shareholders' funds £'000
At 31 March 2011	436	48,012	4,735	–	41	(803)	52,421
Issue of shares on acquisition of Keeneo	1	–	–	–	–	–	1
Share-based payment credit	–	–	–	–	147	12	159
Loss for the period	–	–	–	–	–	(2,762)	(2,762)
At 31 March 2012	437	48,012	4,735	–	188	(3,553)	49,819
Shares issued on 3 May 2012 in respect of the acquisition of Keeneo	1	–	–	106	–	–	107
Share issue costs	–	(351)	–	–	–	–	(351)
Shares issued on 2 January 2013	72	10,328	–	–	–	–	10,400
Share-based payment credit	–	–	–	–	265	71	336
Loss for the period	–	–	–	–	–	(2,547)	(2,547)
At 31 March 2013	510	57,989	4,735	106	453	(6,029)	57,764

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

The Capital redemption reserve represents the difference between the proceeds received and the par value of the shares bought back by the Company.

Other reserves represent share awards granted to subsidiary employees where no repayment has been sought. These amounts are non-distributable.

9 Related party transactions

The Company has taken advantage of the exemption in FRS 8 'Related Party Transactions', para 3c from disclosing transactions with other wholly-owned members of the Group headed by Digital Barriers plc

Transactions with the Directors of the Company are disclosed in the Remuneration report and in note 24 of the Group accounts

10. Contingent liabilities

The Company has entered into cross-guarantee arrangements in respect of the banking facilities of other Group companies
The Company's exposure at 31 March 2013 was £nil (2012 £nil)

11 Statutory and other information

The Company is a Public Limited Company incorporated and domiciled in England and Wales. The Company's Ordinary Shares are listed on the Alternative Investment Market, regulated by the London Stock Exchange.

Directors' remuneration is disclosed in note 24 of the Group accounts.

The fee for the audit of the Company was £5,000 (2012 £5,000). The Company's individual accounts do not disclose fees for other services required by Regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration) Regulations 2008 as exempt because the Group accounts are required to comply with and include the disclosures required by Regulation 5(1)(b).

Digital Barriers plc

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the 'AGM') of Digital Barriers plc (the 'Company') will be held at the registered office of the Company, Enterprise House, 1-2 Hatfields, London, SE1 9PG at 2.00 p.m. on 22 July 2013 for the purposes of considering and, if thought fit, passing the following resolutions, all of which will be proposed as ordinary resolutions apart from resolutions 10 and 11 which will be proposed as special resolutions

Ordinary business

- 1 To receive and adopt the audited financial statements of the Company for the year ended 31 March 2013 and the reports of the Directors and auditors thereon
- 2 To approve the Directors' remuneration report for the year ended 31 March 2013
- 3 To elect Bernie Waldron as a Director, who having been appointed since the last Annual General Meeting, offers himself for election in accordance with the Company's Articles of Association
- 4 To re-elect Zak Doffman as a Director
- 5 To re-appoint Ernst & Young LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company
- 6 To authorise the Directors to determine the remuneration of the auditors
- 7 To approve the rules of the Digital Barriers plc Deferred Share Bonus Plan 2013 (the 'Plan') produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, and summarised in Appendix 1 on page 88 and to authorise the Directors to
 - (a) make such modifications to the rules of the Plan as they may consider appropriate to take account of the requirements of best practice and for the implementation of the Plan and to adopt the Plan as so modified and to do all such other acts and things as they may consider appropriate to implement the Plan, and
 - (b) establish further plans based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Plan
- 8 To approve the amendments to the rules of the Digital Barriers plc Long Term Incentive Plan (the 'LTIP') produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, and to authorise the Directors to make such modifications to the rules of the LTIP as they may consider appropriate to take account of the requirements of best practice and for the implementation of the LTIP and to adopt the LTIP as so modified and to do all such other acts and things as they may consider appropriate to implement the LTIP

Special business

- 9 That, in substitution for any existing authorities and powers granted to the Directors pursuant to section 551 of the Companies Act 2006 (the 'Act') prior to the passing of this resolution, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers of the Company to allot shares in the Company, and to grant rights to subscribe for or to convert any security into such shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being 'relevant securities') up to an aggregate nominal amount of £169,865 and unless previously renewed, revoked, varied or extended this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 18 months after the date of passing of this resolution except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if this power had not expired

10 That, conditional upon the passing of resolution 9 and in substitution for all existing authorities and powers given to the Directors pursuant to section 570 of the Act prior to the passing of this resolution, the Directors be and they are empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the Directors under section 551 of the Act conferred by resolution 9 above, and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if section 561(1) of the Act did not apply to any such allotment, provided that such power conferred by this resolution shall be limited to

(a) the allotment of equity securities in connection with an invitation or offer of equity securities to the holders of Ordinary Shares in the capital of the Company (excluding any shares held by the Company as treasury shares (as defined in section 724(5) of the Act)) on a fixed record date in proportion (as nearly as practicable) to their respective holdings of such shares or in accordance with the rights attached to such shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, record dates or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever, and

(b) the allotment (otherwise than pursuant to paragraph (a) of this resolution) of equity securities up to a maximum nominal amount equal to £25,479,

and unless previously renewed, revoked, varied or extended this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 18 months after the date of passing of this resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired

11 That the Company be and is hereby generally and unconditionally authorised (pursuant to section 701 of the Act) to make one or more market purchases (as defined in section 693(4) of the Act) on the London Stock Exchange plc (the 'Exchange') of any of its own Ordinary Shares of one penny each ('Ordinary Shares') on such terms and in such manner as the Board of Directors of the Company may from time to time determine provided that,

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 5,095,950,

(b) the maximum price (excluding expenses) which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share on the AIM appendix of the Daily Official List of the Exchange for the five business days before the day on which the purchase is made,

(c) the minimum price which may be paid for an Ordinary Share is one penny exclusive of attributable expenses payable by the Company, and

(d) the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company or 18 months after the date of its passing (whichever shall first occur), except that the Company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which may be completed by or executed wholly or partly after the expiration of this authority

By order of the Board

John Woolhead
Company Secretary

28 May 2013

Registered Office
Enterprise House
1-2 Hatfields
London SE1 9PG



Appendix 1

Resolution 7 Approval of Digital Barriers plc Deferred Share Bonus Plan 2013 (the 'Plan')

The Remuneration Committee of the Board has undertaken a full-scale review of the Company's long-term incentive provision to ensure there are appropriate long-term equity incentives in place for the Company's key executives. The Remuneration Committee is committed to ensuring that the Company's key executive team is incentivised to drive sustainable earnings growth and returns to shareholders, thereby creating a genuinely strong alignment of interests between management and investors. A robust, strategically-focused equity-based long-term incentive policy is a key ingredient of this.

This resolution therefore seeks approval to introduce the new Plan in order to provide a simple, motivational and effective method of driving focus on long-term performance and a continued lock-in of key executives.

Awards can be granted under the Plan to any employees that participate in the Company's (or a subsidiary's) bonus arrangements. It is currently intended that only Executive Directors will have their bonuses deferred into shares and therefore have awards granted under the Plan. It is proposed that two-thirds of an Executive Director's bonus received under the Company's annual bonus arrangements would be deferred into shares under the Plan with a three-year vesting period. In future, the deferral of bonuses into awards under the Plan may be extended to other senior executives where appropriate.

The main features of the Digital Barriers plc Deferred Share Bonus Plan 2013 (the 'Plan') are summarised below:

1 Operation

The Remuneration Committee will supervise the operation of the Plan.

2 Eligibility

Any employee or Executive Director of any member of the Company's group who is eligible to receive a bonus (whether payable in cash or in shares) in respect of service and/or performance in respect of a period not exceeding or spanning more than one financial year of the Company may be granted an award under the Plan.

3 Types of award

The Remuneration Committee may grant conditional share awards or share options (each an 'Award') over Ordinary Shares in the capital of the Company ('Shares') to eligible participants under the Plan ('Participants'). Any Award that is granted as a share option over Shares will have an exercise price of nil.

Awards may be satisfied by the issue of Shares or by the transfer of Shares (whether from treasury or otherwise).

4 Timing of grant of Awards

Awards can be granted by the Remuneration Committee:

(a) within the six-week period beginning with:

(i) the adoption of the Plan, or

(ii) the dealing day following the date on which the Company announces its interim or preliminary results, or

(b) in such other circumstances that the Remuneration Committee determines are sufficiently exceptional to justify grant.

5 Limits on the grant of Awards

The maximum number of Shares which may be allocated under the Plan shall not, when aggregated with any other awards under any other employee share plan adopted by the Company, exceed ten per cent of the Shares then in issue for the ten year period from 4 March 2010 (being the date the Company was admitted to trading on the AIM market).

Any Award which is released, lapses, is satisfied by the transfer of existing Shares (other than by the transfer of Shares out of treasury) or is satisfied by the payment of cash shall not count as 'allocated' for the purposes of the limits on the grant of Awards.

The number of Shares over which an Award is granted shall be determined by the Remuneration Committee at its discretion.

6 Vesting of Awards

An Award will usually only vest on the third anniversary of the date of grant, or such other date determined by the Remuneration Committee prior to grant ('Normal Vesting Date'). When an Award vests it will, subject to the other rules of the Plan, be treated as follows:

(a) if the Award is a conditional share award, the Board shall arrange for the Shares subject to the Award to be transferred to the Participant or his nominee, or

(b) if the Award is a share option, the Award shall be exercisable from the date the Award vests until the tenth anniversary of the date of grant (or such earlier date as determined by the Remuneration Committee prior to the date of grant).

An Award shall lapse if a Participant attempts to transfer, assign charge or otherwise dispose of their Award, or if they are declared bankrupt.



7 *Regulatory and tax issues on vesting*

An Award shall not vest and cannot be exercised unless the issue or transfer of Shares on such vesting or exercise is lawful in all relevant jurisdictions and in compliance with the AIM Rules for Companies, the City Code on Takeovers and Mergers, the Company's share dealing code and all other relevant regulations and enactments

In addition, an Award will not vest and cannot be exercised where the vesting or exercise would cause a tax or social security liability to arise for which a member of the Company's group (or former member of the Company's group) would be obliged to account to a relevant authority, unless

- (a) such a liability can be satisfied by the sale of Shares by the Company on behalf of the Participant (as is permitted by the Plan rules), or
- b) the Participant has entered into arrangements acceptable to the Board in respect of such liability

8 *Dividend equivalents*

The Remuneration Committee may decide on or before the grant of an Award that

- (a) a Participant (or his nominee) shall be entitled to receive a benefit determined by reference to the value of dividends declared in respect of an Award during the period between grant and vesting. The Remuneration Committee may in this case determine the basis for calculation of the value of such dividends and if it will be paid as cash and/or Shares, or
- (b) an Award shall be granted on such terms that the number of Shares the Award is granted over increases by deeming that dividends which would have been paid on such Shares during the period between grant and vesting have been reinvested into additional Shares that form part of the Award, (each a 'Dividend Equivalent')

If the Remuneration Committee does determine that a Participant is entitled to a Dividend Equivalent on the vesting of their Award, such Dividend Equivalent shall be provided as soon as possible after the issue or transfer of the Shares subject to the Award, with appropriate deductions to satisfy any tax or social security liabilities

9 *Cash alternative*

Where an Award has vested, but (in the case of a share option) has not been exercised or (in the case of a conditional share award) the Shares have not been allotted or transferred to the Participant, the Remuneration Committee may decide that the Participant shall be paid a cash sum in substitution for the Participant's right to acquire such number of Shares subject to the vested Award as the Remuneration Committee may decide

10 *Leavers*

If a Participant ceases to be a Director or employee of a member of the Company's group prior to the Normal Vesting Date by reason of

- (a) retirement,
- (b) ill health, injury or disability,
- (c) redundancy,
- d) his office or employment being with a company or relating to part of a business which ceases to be a member of the Company's group, or
- (e) for any other reason which the Remuneration Committee decides does not justify the lapse of their Award,

their Award will vest on the Normal Vesting Date, unless the Remuneration Committee decides it is more appropriate that it should vest on the date of cessation

If a Participant ceases to be a Director or employee of a member of the Company's group prior to the Normal Vesting Date by reason of death, their Award shall vest on the date of cessation, unless the Remuneration Committee decides it is more appropriate that it should vest on the Normal Vesting Date

If the Participant's Award is in the form of a share option and is deemed to vest in the above circumstances, the share option will be exercisable for a period of 12 months from the date of vesting (and to the extent not exercised shall lapse at the end of that period)

If a Participant holding an Award in the form of a share option ceases to be a Director or employee of a member of the Company's group on or following the Normal Vesting Date in the above circumstances, the share option will be exercisable for a period of 12 months from the date of cessation (and to the extent not exercised shall lapse at the end of that period)

If a Participant ceases to be a Director or employee of a member of the Company's group in any other circumstances, their Award shall lapse immediately on such cessation

Appendix 1 continued

11 Corporate events

All Awards shall vest in connection with the following corporate events

- (a) a third party obtaining control of the Company,
- (b) a compromise or arrangement being sanctioned by the Court under section 899 of the Companies Act 2006 in connection with a change of control of the Company,
- (c) the Company passing a resolution for a voluntary winding up,
- (d) an order being made for a compulsory winding up, or
- (e) a demerger, special dividend or other similar event proposed which will, in the opinion of the Remuneration Committee, affect the market price of the Shares to a material extent

12 Clawback

An Award granted under the Plan may be subject to clawback and the number of Shares subject to that Award be reduced (including to zero if appropriate) in certain exceptional circumstances if

- (a) there is a material misstatement of the Company's financial results, or
- (b) there was an error made when assessing whether performance conditions have been met as such assessment was based on inaccurate or misleading information,

and this directly or indirectly led to the Award being granted over a greater number of Shares as would otherwise have been the case

This provision is operated at the discretion of the Remuneration Committee and can be applied until the Award vests. The amount of the Award that can be subject to clawback is limited to the additional value which the Remuneration Committee considers has been granted as a result of the adverse exceptional circumstance.

The Remuneration Committee may also decide to reduce the number of Shares subject to an Award to give effect to any clawback provision in any other incentive plan or other bonus plan operated by the Company's group.

13 Adjustments of Awards and alterations to the Plan

The Remuneration Committee may make such adjustments to the number of shares subject to an Award as it considers appropriate in the event of a variation of the share capital of the Company or a demerger, special dividend or other similar event having a material effect on the market price of the Shares.

Save in respect of those matters that require shareholder approval or would be to the material disadvantage of Participants, the Remuneration Committee may make alterations to the Plan at any time. This includes the establishment of further plans (by way of schedules to the Plan rules or otherwise) based on the Plan but modified to take account of local tax, exchange control or securities law in non-UK jurisdictions.

Alterations to the following to the advantage of Participants, or potential Participants, would require shareholder approval (acting by an ordinary resolution of the Company):

- (a) eligibility,
- (b) individual limits on participation,
- (c) overall limits on the issue of Shares or the transfer of Shares from treasury,
- (d) the basis for determining a Participant's entitlement under the Plan, or
- (e) the adjustments that may be made in the event of any variation of capital.

If a variation would be to the material disadvantage of Participants, the Board must invite all Participants to indicate whether or not they approve such an alteration, and the majority of those who respond must approve the alteration.

14 Awards not pensionable

No Awards or benefits under the Plan are pensionable.

Appendix 2

Resolution 8 – Amendments to the Digital Barriers plc Long Term Incentive Plan ('LTIP')

On admission to trading on the AIM Market in March 2010, the Company gained shareholder approval to grant awards under the LTIP until 23 June 2015 and to issue new shares of up to 5% of the Company's total share capital over the five years in order to satisfy such awards. Given this period ends in less than two years the Company is now seeking approval for this period to be extended in order that awards can be granted under the LTIP until 23 June 2020, and in order that the limit on the number of new issue shares allocated under the LTIP (and other incentive arrangements including the Digital Barriers plc Deferred Share Bonus Plan) is increased to 10% of the Company's total share capital over the ten-year period from the listing of the Company's shares. This is still in line with current best practice for smaller companies.

In addition, the Company is seeking to include clawback provisions into the LTIP in line with current best practice guidelines. This amendment seeks to allow the Company to recover monies paid to participants under the LTIP in the event that it subsequently becomes apparent that the assessment made in relation to granting the award (or the level thereof) was based on misleading or inaccurate information.

Explanatory notes on certain business to be conducted at the AGM are set out below.

Resolutions 7 and 8

The following documents will be available for inspection at the registered office of the Company, Enterprise House, 1-2 Hatfields, London, SE1 9PG, from the date of this Notice during normal business hours, until the end of the AGM:

- Copies of the rules of the Digital Barriers plc Deferred Share Bonus Plan 2013 and the Digital Barriers plc Long Term Incentive Plan.

Resolution 9 – Directors' power to allot relevant securities

This resolution grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £168,865, representing approximately one-third of the nominal value of the issued Ordinary Share capital of the Company as at 28 May 2013, being the latest practicable date before publication of this notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or the date falling 18 months from the passing of the resolution, whichever is the earlier.

Resolution 10 – Directors' power to issue shares for cash

This resolution authorises the Directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either where the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £25,479, representing approximately 5% of the nominal value of the issued Ordinary Share capital of the Company as at 28 May 2013 being the latest practicable date before publication of this notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or 18 months after the passing of the resolution, whichever is the earlier.

Resolution 11 – Directors' authority to purchase shares (market purchases)

This resolution authorises the Directors to make market purchases of up to 5,095,950 Ordinary Shares (representing approximately 10% of the Company's issued Ordinary Share capital as at 28 May 2013, being the latest practicable date before publication of this notice). Shares so purchased may be cancelled. The authority will expire at the end of the next Annual General Meeting of the Company or 18 months from the passing of the resolution, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

The minimum price that can be paid for an Ordinary Share is one penny being the nominal value of an Ordinary Share. The maximum price that can be paid is 5% over the average of the middle market prices for an Ordinary Share, derived from the AIM appendix of the Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the relevant share is contracted to be purchased.

The Directors intend to exercise this right only when, in light of the market conditions prevailing at the time and taking into account all relevant factors (for example, the effect on earnings per share), they believe that such purchases are in the best interests of the Company and its shareholders generally. The overall position of the Company will be taken into account before deciding upon this course of action.

Digital Barriers plc

Notice of Annual General Meeting continued

Appendix 2 continued

Explanatory Notes on proxy voting

- 1 Every holder has the right to appoint some other person(s) of their choice who need not be a shareholder, as his or her proxy to exercise all or any of his or her rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided on the reverse of the proxy form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name on the reverse of the proxy form, the number of shares in relation to which they are authorised to act as your proxy. If returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his or her discretion as to whether, and if so how, he or she votes (or if this proxy form has been issued in respect of a designated account for a shareholder, the proxy will exercise his or her discretion as to whether, and if so how, he or she votes).
- 2 To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0870 707 1889 or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name on the reverse of the proxy form the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- 3 The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
- 4 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 5 To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RAS0) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 6 The address on the proxy form is how it appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0870 707 1889 to request a change of address form or go to www.investorcentre.co.uk to use the online Investor Centre service.
- 7 Any alterations made to this form should be initialled.
- 8 The completion and return of this form will not preclude a member from attending the meeting and voting in person.

Officers and professional advisors

Directors and officers

Tom Black

Chairman

Colin Evans

Group Managing Director

Zak Doffman

Group Development Director

Nik Holgate

Group Finance Director

Bernie Waldron

Non-Executive Director

Paul Taylor

Non-Executive Director

John Woolhead

Company Secretary

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Registered No 07149547

Registrars

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Nominated Advisor

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Bankers

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City of London Corporate Banking Centre

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Solicitors

Osborne Clarke

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London EC2Y 5EB

Digital Barriers provides advanced surveillance technologies to the international homeland security and defence markets, specialising in 'edge-intelligent' solutions that are designed for remote, hostile or complex operating environments. We work with governments, multinational corporations and system integrators in the defence, law enforcement, critical infrastructure, transportation and natural resources sectors. Our surveillance technologies have been successfully proven on some of the most demanding operational and environmental deployments around the world.

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