Digital Barriers

ANNUAL REPORT AND ACCOUNTS 2017

SAFER.
STRONGER.
MORE SECURE.

Highlights of the year

- Revenues from continuing operations grew 25% to £26.5 million (2016: £21.1 million)
- Adjusted loss before tax increased to £9.8 million (2016: £4.7 million)
- Loss for the year £16.7 million (2016: £12.6 million)
- Discussions at an advanced stage to divest Video business
- Significant progress with Thruvision people-screening solution made with US Government

Chairman's statement

In previous updates, we have highlighted the unpredictable and extended sales cycles that we face as a business that sells predominantly to government customers overseas. This leads to challenges in accurately forecasting the timing of sales and revenues, which in turn creates risk in meeting our annual financial expectations for the business. This was the case during the period, where, despite headline revenue growth of 25% to £26.5 million (2016: £21.1 million) and a strong performance in the US following the Brimtek acquisition, several expected key sales failed to close in the final quarter of the year ended 31 March 2017. This contributed to an adjusted loss before tax of £9.8 million (2016 loss: £4.7 million) which was clearly a disappointing result for the Group.

It has become clear that, despite the class-leading nature of our technologies and the flagship nature of our customers, the business is not well-suited to operating on the public markets with these material challenges as outlined above. Therefore, we decided to undertake a far-reaching internal review of the Group.

The review and our findings
The headline conclusion of the review was that the Group was in practice operating as two distinct businesses: a Video business and the Thruvision people-screening business, details of which are set out below. Whilst they shared some geographical overlaps it was clear that, they shared very few end customers and have different business and financial characteristics.

The review confirmed that the unpredictable nature of the sales cycles we face was unlikely to change in the near to medium term, and, just as importantly, that larger sales would likely exacerbate the lumpy nature of our revenue streams. The Group has class-leading technologies, which are now being acquired by flagship customers around the world, but these procurements are often part of larger programmes with complex budgets and delivery schedules. Our conclusion was that to continue as we are would stretch the financial resources available to the Group within its current structure and that we would be doing so against this backdrop of forecast uncertainty and its consequent risk to period-end reporting.

The review further concluded that the above challenges were especially relevant to the Video business, and are less relevant to our Thruvision business. Although Thruvision is still modest in revenue terms, it benefits from protected technology that is unique in its field, and an emerging customer base that includes the US Transportation Security Administration. Since Thruvision and the Video business are different in nature, the Group naturally divides into two business units with different operating models.

The Video business, which is based around EdgeVis live video streaming technology, SmartVis video analytics and incorporates Brimtek in the US (the ''Video business''), has the following characteristics:

- **Operationally proven technology:** a proven set of product offerings, strong penetration into a number of regional markets (notably the US) and an exciting roadmap, including facial recognition and body-worn video technology;
- **Complex solutions:** our solutions generally form part of broader, more complex systems which has adverse consequences for the level of control the Group can exert over procurements and sales cycle durations; and
- **Two distinct markets:** core revenues are generated from direct sales into high barrier-to-entry government agencies, with penetration into the more competitive network-video market through global technology partners.

The Group's Thruvision people-screening business (the ''Thruvision business'') has the following characteristics:

- **Operationally proven technology:** a solution to current counter-terrorism challenges which has been successfully used operationally by both the Transportation Security Administration and G4S;
- **Limited competition and simplicity of deployment:** although there are many people-screening systems deployed globally, Thruvision has the great advantage of reliable stand-off operation (i.e. with a detection range over five metres) and simple, standalone deployment, avoiding the need for any complex integration into existing infrastructure; and
- **Multiple potential markets at an early stage of development:** Thruvision was originally developed for the counter-terrorism market but has now also demonstrated applicability in other markets, namely customs applications (to prevent cash and narcotics smuggling) and loss-prevention (to prevent theft from warehouses). The entire people security screening market has been estimated at $34Bn over 2015 – 2020 by analysts.[1]

Given these findings, the Board concluded that alternative corporate and funding structures would be in the best interests of the Group, its shareholders and stakeholders.

Working with its advisers, the Board initially considered a sale of the entire Group, but, following a discreet marketing exercise, it found that given the fundamental differences between the two businesses, particularly in their respective levels of maturity and financial profiles, it would be highly unlikely that any single buyer for the Group would be found.

This conclusion resulted in a Video Business sale process, managed by Investec Bank plc, which involved approaching a full range of potential trade and financial buyers. Following a multi-staged and competitive process, the Board received a number of indicative offers from interested parties and is currently in advanced discussions with two parties to sell the Video Business (the "Potential Transaction") which are expected to conclude in the near future. However, the Potential Transaction remains subject to further due diligence and the agreement of binding legal documentation and, as such, there can be no certainty that the discussions will lead to a transaction being completed. The cash consideration being offered under both proposals is expected to be in excess of the current market capitalisation of the entire Group. Such proceeds, after repayment of existing indebtedness and transaction costs, would provide a robust balance sheet for the ongoing Thruvision business, with a likely return of excess funds to shareholders in due course. The Potential Transaction would be conditional upon the Group obtaining approval from its Shareholders. The Board will provide an update for shareholders in due course.

As a consequence of these ongoing discussions, the Board has decided that, as Thruvision already has strong brand recognition in its own right, the Video Business would take with it the Digital Barriers name. Thus, it is the Board's intention that, conditional on completion of the Potential Transaction, the remaining Group would be renamed "Thruvision Group PLC", reflecting its sole focus on the people-screening market.

Implementing and managing change
As we are now entering a period of significant change for the business, the Board has decided that it is appropriate for me to become more "hands-on" and it is intended that I will assume the role of Executive Chairman effective on the completion of the Potential Transaction. Colin Evans, as Managing Director, will run the business day-to-day and we will continue to co-operate closely as we have done in our previous roles at Digital Barriers and previously at Detica Group plc. It is intended that Zak Doffman, CEO, and the employees of the Video Business would leave the Company on completion and work with its new owners to develop and implement a new, standalone strategy.

Reflecting the smaller size of the Thruvision Business, it has also been decided to reduce Colin Evans' and my annual remuneration, by 25% conditional on the successful completion of the Potential Transaction. Contingent on completion, many other aspects of the business, such as our office space, would also be greatly reduced. However, we do not envisage any material reduction in headcount as the business seeks to capitalise on its exciting growth potential for Thruvision.

1 "People Security Screening Market, Technology and Industry 2015 – 2020", Homeland Security Research

Two other colleagues have taken this opportunity to make their own changes. Bernie Waldron has decided to step down from the Board at the AGM as he is increasingly focused on private company directorships and Sharon Cooper has decided that she would also step down after effecting a smooth transition following a successful conclusion of the Potential Transaction and seek a new role elsewhere. I am immensely grateful to them both for assisting us through this recent period of intense activity and change and I wish them both well for the future. We have recently appointed an interim finance director, to report to the Board and a search for a permanent replacement for Sharon is underway.

Looking to the future
The Group has not achieved the original goals set for it at the time of its formation. The technology and intellectual property that the Group acquired is undoubtedly proven, but the competitiveness of the global video market, combined with the complexity of often-protracted sales cycles, prevented us from driving the revenue growth required to deliver against our plans. That said, with a focus solely on the video market, and an alternative corporate structure and funding provisions, I am confident the Video Business will deliver a successful outcome under appropriate new ownership.

Thruvision is undoubtedly a class-leading and innovative technology, and one that has now been adopted by some of the most aspirational customers for this type of capability anywhere in the world. The solution is straightforward to operate and is usually purchased as a standalone solution. As such it is not dependent on integration into larger programmes with inherently uncertain deployment schedules. With our entire focus now on building and converting the robust sales pipeline for Thruvision already in place, I have real confidence in what can be achieved. The Board believes that the resulting Thruvision Business is in a strong position to capitalise on these future opportunities.

The successful completion of the Potential Transaction would leave a leaner, focused business, based upon patented and operationally proven technology, and we are targeting a clear growth market. In the following sections we lay out our strategy and the market opportunity which, in combination, make me very optimistic about Thruvision's future.

BUSINESS REVIEW

OVERVIEW

Through the course of the year, the Group was run as a single, integrated business across our three regions: EMEA, from regional offices in London, Nice and Dubai; Asia-Pacific, from regional offices in Kuala Lumpur and Singapore; and the Americas from an office in the Washington DC Metropolitan area. Our regional teams sold and supported both the full range of Video business solutions and Thruvision.

The Group reported headline revenue growth of 26% to £26.5 million (2016: £21.1 million), which included £24.5 million (2016: £18.5 million) contributed by the Video business, and £2.0 million (2016: £2.6 million) contributed by Thruvision. Despite this headline revenue growth and a strong performance from the US, several expected key sales failed to close in the final quarter of the year ended 31 March 2017.

In the light of decisions taken by the Board since the end of the reporting period, this section separately reviews performance of the Video and Thruvision businesses in turn.

VIDEO BUSINESS

Business performance

The Video Business reported revenues of £24.5m (FY16, £18.5m), with gross margin decreasing to 53% (FY16, 58%), due to the incorporation of Brimtek, which is naturally a lower margin business. Despite this growth, the unpredictable nature of the sales cycles and the fact that procurements are often part of larger programmes with complex budgets and delivery schedules, a number of contracts expected to be awarded during the period slipped past the financial year end and into the current financial year, negatively impacting performance relative to both our and the market's expectations.

Americas
Our strategic objective of becoming a key technology partner for a range of US Government agencies with critical surveillance requirements continued in the period and we succeeded in establishing EdgeVis Live as a leading video surveillance platform for cellular telecommunications-based operations. This generated several high-profile sales in the region with Government customers. We also continued to make good progress with commercial customers for EdgeVis with a series of smaller orders in the period from a leading US-based provider of managed

communications services into the energy and maritime sectors.

We continued our Brimtek strategy of working with only a handful of technology partners whose products provide synergy with our EdgeVis platform. This yielded a number of orders from the Department of Justice (totalling £8.1m), the Department of Homeland Security (£1.5m) and the Department of Defense (£0.8m).

Asia Pacific
Performance in Asia Pacific was disappointing in the period and whilst the Video business remains well positioned on a number of significant government defence and border control programmes, delays in the timing of their award saw weak performance from this region. We continued to benefit from repeat purchases of EdgeVis-based solutions by a national police force (£0.7m follow-on), continued transport infrastructure CCTV spend (£1.0m follow-on) and a new body-worn video solution win with a major regional police force (£1.0m).

EMEA
As reported at the interim results, the extra management focus on EMEA had a positive impact on FY16's poor performance. We saw the extension of BT Redcare's multi-year EdgeVis Live contract (worth £1.9m), two separate sales into a major European Ministry of Defence for our new SmartVis Face software and for EdgeVis (totalling £0.9m), repeat orders from a major European railway operator for EdgeVis (£0.4m) and an order from a North African national police force for EdgeVis (£0.4m). Towards the end of the period we also signed our first SmartVis Face software licensing deal with Careem, a ride-hailing app firm based out of Dubai.

Solutions and products update

Our video-based solutions and products are built around proven proprietary intellectual property that fall into two categories: EdgeVis, our platform for very efficiently streaming live video over wireless networks; and SmartVis, our suite of video analytics applications including face recognition.

In the reporting period, several new EdgeVis capabilities were introduced:

- Streaming from body-worn devices based on new platforms from Far East OEM manufacturers;
- A next generation hardware platform to form the basis of future EdgeVis hardware products;
- A new EdgeVis encoder incorporating a strategic partner's IP Mesh Radio technology; and,
- Deep integration with market-leading Video Management Software product, Milestone.

In the reporting period, our SmartVis platform was expanded as follows:

- Face recognition specialising in non-consensual, real-time performance;
- Embedding our SafeZone software on our EdgeVis encoders; and,
- Embedding SafeZone into several more commercial video alarm management platforms.

Operations and people

We continued to refine our operations to provide timely and cost-effective support to sales. In particular, we invested in our US operation and Kuala Lumpur office to support their growth. We also took the opportunity to reduce costs in areas performing less well and as a result closed our office in Seoul, South Korea and significantly downsized our Singapore operation.

THRUVISION BUSINESS

Business performance

Thruvision reported revenues of £2.0m (FY16, £2.6m), with gross margin increased to 43% (FY16, 37%). Unit sales during the period were inhibited by the fact that our main Asian customer took longer than expected to deploy the units they acquired at the end of FY16 and by the TSA's decision to fund enhancements to the product before operationally testing it for use in the US market. Encouragingly, both of these have now been achieved, with our Asian customer recently requesting quotations for new units and the TSA accepting the new product which was launched in the US over Summer 2017. Outside of these main activities we saw repeat purchases by customers in Asia and the UK, and new orders from customers in the Middle East / North Africa and Central American regions.

As we have progressed from very early adopters of Thruvision to the more mainstream customer base today, we have found that the sales cycle for new customers is between 12 and 18 months, while repeat customers tend to order more units on an annual budget cycle basis. As such, we started a number of important strategic business development initiatives in the second half of the period which we expect to see yielding order flow from autumn 2017 onwards. These initiatives include:

- **US government –** in addition to TSA support we have been actively demonstrating Thruvision to a number of federal government agencies in the areas of border control, mass-transit and public area security and defence;
- **Asia customs –** capitalising on the traction we have already achieved with customs agencies in region, we have been targeting other national customs organisations given the clear operational benefits provided by Thruvision;
- **Asia mass transit –** based on pilots running as a result of the large FY16 order, we have been targeting the significant mass transit sector in China and expect further progress resulting from these pilot programmes given the success achieved to date; and
- **UK high profile targets and events –** given UK Government concerns over further terrorist attacks, we have been actively piloting Thruvision at high profile government and commercial locations, and through G4S, at a series of high profile conferences and public concerts / festivals.

We also expect existing customers to buy further tranches of units as Thruvision continues to prove its worth operationally.

Technology update

Significant technological progress was made as a result of TSA funding. This led to the delivery of initial prototype units at the end of the reporting period and these have since successfully passed further comprehensive field trials. The second phase of this contract is planned for delivery later in this current financial year and this will extend functionality to improve outdoor performance and add initial functionality to help categorise what concealed items are made from (e.g. metal versus organic matter). Together with key suppliers, design improvements were made and should enable further reductions in build cost and manufacturing efficiency during FY18 and beyond as unit manufacturing throughput increases. Finally, progress was made with foreign language support, particularly Mandarin, which should support ongoing sales efforts in Asia.

Operations and people

Given the TSA award, we decided to increase the amount of time members of our US team spend on Thruvision through the final quarter of the period and we expect this to continue throughout the current financial year. We have also continued to review our Thruvision team in the light of the opportunities available to us and we will be strengthening the engineering team during the current financial year to make the business more resilient in this regard. Finally, the new production facility we completed in our Didcot office came fully on stream during the period and this, together with the work on supply chain, means we are confident that we can manage rapid growth within our existing manufacturing footprint.

UPDATE ON STRATEGY

As set out in the Chairman's Statement and given the proposed divestment of the Video Business, the strategy section which follows relates solely to the Thruvision Business.

OVERVIEW

Thruvision is a proven people-screening technology for "stand-off" detection of weapons, explosives and contraband under clothing. It is a specialist thermal camera, operating in the far infrared range of the electromagnetic spectrum, which sees concealed objects as relatively cold against warm bodies.

We acquired Thruvision in 2012, and since then, significant effort has been invested in taking what was a very early stage, pioneering technology to the point where it can be positioned as a solution to two major global challenges, namely:

- **Counter-terrorism** – the rapid increase in "marauding-type" terrorist attacks requires new, safe and flexible people-screening solutions to protect high profile buildings and events, transport infrastructure, and public areas.
- **Contraband detection** – the smuggling of contraband concealed in clothing across national borders and in and out of high security facilities

remains a major problem, and security solutions that provide a fast, safe and effective method of screening people are needed.

Taken together, these form part of a global people security screening market that is estimated to be worth $34Bn over 2015 – 2020[1], and Thruvision is uniquely placed to meet these challenges because of a number of key differentiators, as follows:

1. **Unique patented technology:** Thruvision has secure, exclusive rights to exploit patented TeraHertz imaging research work completed by the Rutherford Appleton Laboratory and the European Space Agency. Thruvision uniquely operates at a specific frequency giving excellent screening characteristics and providing manufacturing barriers to entry for competitors.
2. **"Stand-off" capability:** people-screening technology in current service can only operate at very short-range (less than one metre) which greatly limits its usability. Thruvision uniquely sees objects concealed on people at distances greater than five metres, opening up a wide range of new operational uses.
3. **Operationally proven:** in the last two years Thruvision has seen an accelerating rate of deployment and is now operational in 12 countries. The publicised adoption of the product by G4S in spring 2017 has given the security technology market confidence that Thruvision is now ready for widescale deployment.
4. **New US product platform now available:** a new generation of the Thruvision product was launched for the US market, following development funded by TSA. The new product meets TSA's exacting counter-terrorism requirements for mass transit and public area people-screening.

PEOPLE-SCREENING MARKET AND COMPETITION

The threat posed by marauding terrorist attacks in particular has led to a fundamental re-evaluation of the type of technology needed to screen people effectively today. Unlike existing airport scanners, new people screening technology must offer a number of key capabilities to be useful for the broader range of applications that the market now needs.

- **"Stand-off"** – defined by TSA as at least five metres for explosives and guns, stand-off detection is vital as it gives security staff time to take pre-emptive action in the event that explosives or a weapon are seen. It also allows covert screening if required.
- **Safe and respectful of personal privacy** – the rollout of existing airport scanners encountered public resistance given they actively irradiate the body and reveal high levels of anatomical detail. Any new people-screening technology must be "passive" (i.e. require no active irradiating of the body to work) and ensure no anatomical detail is shown.
- **Intuitively simple to operate** – any new people-screening technology should provide the operator with a real-time video view of the person being screened so that the operator can quickly interpret the size, shape and likely threat posed by concealed items. Most competing products simply provide alarms to the presence of objects but do not allow the operator to see what they are.
- **No operational disruption** – in many applications (e.g. metro stations), airport-style security checkpoints are infeasible as the environment is uncontrolled and the volume of people is too great, so any new people-screening technology must be able to screen people without the need for removing clothing or personal effects, and preferably while they are moving.

In 2015, ongoing market evaluation work by the British and US governments recognised that Thruvision was one of a handful of candidate technologies that fully filled this capability gap. This led to the award of the TSA contract in September 2016 to accelerate product development to fully meet its exacting counter-terrorism requirements for mass transit and public area people-screening.

Other competitors have also attempted to meet this need. A similar type of sensor operated at a lower frequency than Thruvision but its inferior performance led to it failing to reach critical mass in the market and this company ceased manufacturing in 2014.

A British-based passive stand-off sensor exists and it too has received TSA funding. Unlike Thruvision, it does not produce real-time video for operators and, while technically with merit, market feedback on price and usability is not favourable. Given the technology

1 "People Security Screening Market, Technology and Industry 2015 – 2020", Homeland Security Research

remains at the prototype stage, it is not clear that this competitor product will ever move into volume production.

Finally, newer types of higher-throughput active scanners are emerging, and are seeking to address the size and disruption shortcomings of existing airport scanners. However, they do not adequately close the gap in capability that the market is looking for as they lack stand-off capability and a real-time video display for operators. Most importantly, they still use active irradiation as their detection methodology.

GROWTH OPPORTUNITY FOR THRUVISION

In the last 18 months, Thruvision's technology advantages have been increasingly clear to our market, particularly in key geographies. Release of the new product in the US and the very public adoption of Thruvision at major UK events by G4S in spring 2017 has led to significant levels of sales interest. We are confident that Thruvision now has the potential for mass market adoption in counter-terrorism and contraband detection.

In counter-terrorism, TSA and G4S support has conclusively shown that it is ready for operational use. Our opportunity is for Thruvision to provide additional security assurance at major international conferences, exhibitions and entertainment events, rail and subway transport hubs, airport entrances, and entrances to public and government buildings. Sadly, recent terrorist attacks have forced wide-ranging reviews of security and this has driven a significant uplift in new inbound sales enquiries for Thruvision.

Contraband detection is more amenable to direct measurement of return on investment. Thruvision customs agency users in Asia are routinely detecting and confiscating drugs, cash or other controlled items at airports, seaports and at land border crossings. We see this as a highly attractive sector due to strong international collaboration and clear return on investment. Thruvision is also being used by commercial organisations to screen staff leaving high value goods warehouses for stolen items. Given the huge growth in home delivery, we see this as another potential high growth area. Finally, high-security government facilities like prisons have a requirement to control the inflow of illicit items and we are currently in discussions with and tendering to several such agencies.

In summary, we believe a substantial new international market, measured in tens of thousands of units over the next five years, is becoming available and that, with our key differentiators now in place, we have the opportunity and focus to drive rapid, organic and profitable growth of Thruvision.

ROUTES TO MARKET

Our primary route to market for Thruvision is through local partners, supplemented by the involvement of our own sales force where appropriate. Partners create sales opportunities and take the lead in their pursuit and also provide ongoing support and maintenance.

Increased international market awareness of Thruvision, supported by G4S adoption, has allowed us to migrate from smaller-scale sales agents, to larger country- or region-wide security system integrators as our primary route to market. We select partners on a non-exclusive basis, and on the strength of their regional presence. We also select on their technical pre- and post-sales support capabilities.

We are seeing growing interest from other global security and system integration prime contractors. These companies are seeking competitive differentiation by being the first to adopt new capabilities as part of their managed service offerings. One consequence of adoption by this type of partner is a potential move towards operational budgets rather than capex budgets as this is how such contracts tend to operate. We are actively exploring how this can be exploited to further speed adoption.

We continue to work directly with TSA and other agencies in the US Government. Our established US business and permanent sales presence in Washington, DC, is essential and ensures Thruvision's US credentials. Once we have achieved critical mass of sales to US government we intend opening up further integration partner relationships.

PRODUCT STRATEGY

Thruvision's superior sensing performance is achievable because it uniquely operates at the 250GHz, far infrared frequency, whereas most competitors operate at lower frequencies (effectively in the microwave band), which are less effective but technically easier to manufacture. Thruvision's high frequency requires very specialist components and high-precision manufacturing techniques which we have mastered with our trusted supply-chain partners drawn from the aerospace sector in the UK and US. Today we have a proven manufacturing capability that is able to meet forecast demand for the next 12 months, and we are well advanced in our plans to add further US-based production capacity within this timescale.

Development funding from TSA over the last 18 months has resulted in several further key product innovations being incorporated into a new and more capable product that meets TSA's exacting requirements for the US transportation market. These include improved sensor sensitivity, more adaptable sensor field of view and greater ease of use for security staff. Looking forward, we expect to maintain close working relationships with key government technologists in this field in both the UK and US and expect further customer-funded developments based on this new platform.

Overall, given the progress made in the last 18 months and the strength of customer input to our roadmap, we are very confident that we can maintain our technical market leadership for the foreseeable future.

BUSINESS SCALABILITY

Awareness of Thruvision, and the fact that it is now operationally proven gives us the opportunity for greater sales force leverage. This means that our sales focus will gradually shift from today's relatively direct end-customer engagement to a greater focus on finding and training increasingly capable integration partners to give us access to the broader international market that we believe exists for Thruvision.

We will continue to invest in our R&D programme, with the intention of securing further funding from our primary government customers wherever possible. Our efforts to outsource significant elements of manufacturing are well advanced and we expect to see continued product design effort with economies of scale allowing us to steadily reduce unit production costs. A major investment in our principal facility in Didcot was completed in early-2016 giving us significant headroom for further growth.

Overall, we do not believe further major cost base investment is needed to drive the anticipated revenue growth. This, combined with the opportunity to either widen product gross margin through more efficient sourcing and manufacture or reduce product pricing to expand demand, should ensure Thruvision can be healthily and sustainably profitable.

FINANCIAL REVIEW

For the year ended 31 March 2017, Digital Barriers delivered revenues from continuing operations of £26.5 million (2016: £21.1 million) generating an adjusted loss before tax of £9.8 million (2016 loss: £4.7 million) and an adjusted loss per share of 6.04 pence (2016 loss: 3.82 pence). On an unadjusted basis, the loss for the year was £16.7 million (2016 loss: £12.6 million) and loss per share was 9.98 pence (2016 loss: 7.42 pence).

REVENUE

£26.5 million of continuing revenue in the year, includes £24.5 million (2016: £18.5 million) in relation to the Video business, and £2.0 million (2016: £2.6 million) contributed by the Thruvision segment. The 32% increase in Video business revenues over the prior year reflects the continued expansion of our US business following the acquisition of Brimtek in March 2016. In total US revenues for the Group increased to £18.2 million (2016: £5.3 million) with organic revenues up 227%. International revenues for the year totalled £24.1 million, compared to £18.0 million in the prior year. This equates to growth of 34%, with international revenues now accounting for 91% (2016: 85%) of total revenues.

Results by region of continuing operations are detailed below:

Revenue	**2017 £'000**	2016 £'000
Solutions:		
Video business	**24,480**	18,487
Thruvision	**2,024**	2,649
Solutions total	**26,504**	21,136
Of which:		
International	**24,126**	18,028
UK	**2,378**	3,108
Video business:		
Organic	**14,143**	15,563
Acquisition	**10,337**	2,924
Video business total	**24,480**	18,487

GROSS MARGIN

Gross margin for continuing operations reduced to 37% in the year (2016: 50%). This reduction reflects a full year of contribution from the Brimtek business acquired in March 2016. Revenues generated by the legacy Brimtek business attract a lower gross margin than for wider Solution sales predicated on Digital Barriers intellectual property. The gross margin attributable to organic revenues reduced to 51% (2016: 55%), compared to 15% (2016: 20%) for legacy Brimtek sales.

Within Solutions organic gross margin of 51% (2016: 55%) the Video business earned gross margins of 53% (2016: 58%) with Thruvision contributing 43% (2016: 37%).

Continuing operations:	2017 £'000	2016 £'000
Revenue	**26,504**	21,136
Gross margin	**9,855**	10,517
Gross margin %	***37%***	*50%*

OVERHEADS

Administration costs are broken down as follows:

Overheads	2017 £'000	2016 £'000
Video business administration costs	**16,313**	10,713
Thruvision administration costs	**984**	1,081
Solutions administration costs	**17,297**	11,794
Amortisation of intangibles initially recognised on acquisition	**1,509**	1,320
Central costs		
Board, operations, finance and facilities	**3,587**	3,594
Share-based payment charge	**424**	792
	4,012	4,386
Total administration costs	**22,817**	17,500

Administration costs within the Solutions division largely consist of sales & marketing costs, together with research & development spend.

In total Solutions administration costs in the year have increased 47% to £17.3 million (2016: £11.8 million). This increase is driven by the Video business where administration costs increased 52% to £16.3 million (2016: £10.7 million). This increase reflects the cost base acquired with the acquisition of Brimtek in March 2016, with a full year of cost base included in FY17 compared to 1 month in the prior year. In addition, the Group has an extended debtor in Asia Pacific, where a delayed project implementation has resulted in the likely replacement of the local partner by the contracting government agency, albeit the government agency has also confirmed their intent to continue the project and implement the Group's technology. Notwithstanding this, given the timing for the project remains uncertain, the Group has elected to write down the overdue debtor, with the net £1.9 million expense recorded within administration costs in the year. Thruvision administration costs have decreased in the period from £1.1 million to £1.0 million as a result of a small reduction in headcount.

Central costs, excluding share based payment charges, have remained flat on the prior year.

Overall administration costs have grown year on year at £22.8 million (2016: £17.5 million).

LOSS FOR THE YEAR

Overall the loss for the year was £16.7 million compared to £12.6 million in the prior year. The prior year result includes a £4.8 million loss in relation to discontinued operations, which has reduced to £0.2 million in FY17.

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 ended 31 March 2017 the adjusted loss from continuing operations was £9.8 million compared to a prior year loss of £4.7 million. The increase in the adjusted loss year on year has been primarily driven by two key factors:

- reduction in gross margin across the Group with gross margin percentage reduced to 37% (2016: 50%), and organic gross margin at 51% (2016: 55%) and;
- increase in administration costs following the acquisition of Brimtek and bad debt expense incurred in the period.

The unadjusted loss before tax from continuing operations for the year amounts to £16.7 million (2016 loss: £8.5 million). In addition to the two key factors detailed above, the increase in the unadjusted loss is also attributable to an impairment charge of £7.5 million (2016: £nil) in relation to the carrying value of the goodwill attributable to the Video business, offset by a release of deferred consideration of

£2.3 million (2016: £nil) recorded in the year, and £1.9 million (2016: £0.2 million) of finance income, attributable largely to foreign currency gains on intercompany balances.

Loss details are provided in the table below for continuing operations:

	2017 £'000	2016 £'000
Loss before tax	**(16,715)**	(8,506)
Add back:		
Amortisation of intangibles initially recognised on acquisition	**1,509**	1,320
Share-based payment (i)	**424**	792
Financing set up costs (ii)	**421**	–
Acquisition related (income)/ costs and exceptional write off of bad debt (iii)	**(627)**	1,718
Release of deferred consideration (iv)	**(2,329)**	–
Impairment of goodwill	**7,500**	–
Adjusted loss before tax	**(9,817)**	(4,676)

(i) The performance condition associated with LTIP awards made from July 2015 are subject to a non-market based performance measure. Accordingly, should these LTIP awards fail to vest, the share based payment charge will be added back to the income statement. Historic LTIP awards have been made with a market based performance measure which in the event that LTIPs fail to vest the share based payment charge is not added back to the income statement. To date the majority of historic LTIP awards have failed to vest. The inclusion provides consistency over time allowing a better understanding of the financial position of the Group.

(ii) During the year ended 31 March 2017 the Group obtained a new facility, incurring legal and set up fees.

(iii) During the year ended 31 March 2016 the Group acquired 100% of the share capital of Brimtek Inc. Costs in relation to the acquisition totalled £1.7 million. Included within these costs is £0.5 million in relation to an amount due from Brimtek to Digital Barriers which was fully provided for immediately prior to the acquisition of Brimtek. Acquisition costs remained largely unpaid as at 31 March 2016. During the year ended 31 March 2017 £0.6 million of these acquisition costs were released to the income statement as they were no longer due. This release was recorded within other income.

(iv) During the year the deferred consideration held in relation to the Brimtek Inc. acquisition was released. The release is recorded within other income. The carrying value of the deferred consideration is now £nil, and is disclosed in note 19.

(v) During the year ended 31 March 2017 a £7.5 million non-cash impairment charge has been recorded against the carrying value of goodwill within the Video Business segment and has been separately disclosed within Other Costs in the Consolidated Income Statement. This impairment reflects the reduction in the forecasted recoverable amounts of the cash-generating units as a result of the unpredictable and extended sales cycles. Further detail is given in note 11.

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 Income Statement tax credit for the year of £0.2 million (2016: £0.7 million) principally relates to R&D tax credit, offset by a deferred tax liability arising on the acquisition of Brimtek. At 31 March 2017, the Group had unutilised tax losses carried forward of approximately £56.6 million (2016: £55.5 million). Given the varying degrees of uncertainty as to the timescale of utilisation of these losses, the Group has not recognised £9.3 million (2016: £11.0 million) of potential deferred tax assets associated with £56.2 million (2016: £55.3 million) of these losses.

At 31 March 2017, the Group's net deferred tax liability stood at £0.6 million (2016: £0 million).

LOSS PER SHARE

The reported loss per share on continuing operations is 9.98 pence (2016 loss: 7.42 pence). The adjusted loss per share on continuing operations is 6.04 pence (2016 loss: 3.82 pence).

POST BALANCE SHEET EVENTS

On 28 September 2017, Digital Barriers PLC agreed a 15 month £5.25 million loan facility with Herald Investment Trust ("Herald"). The funds available through the facility are in addition to the Group's existing revolving credit facility and will be used to meet the working capital requirements of the Group.

In June 2017, Digital Barriers reached early finalisation terms with the vendors of Brimtek Inc. The terms of the finalisation involved a release of $1.45 million from the escrow account back to Digital Barriers and no deferred consideration to be paid. The performance conditions for the deferred consideration were set at a level significantly above forecast, and consequently deferred consideration balance at 31 March 2017 had been reduced to £nil against an expectation of a significant shortfall to the performance conditions set. (2016: £2,018,000).

CASH AND TREASURY

The Group ended the year with a net cash balance of £1.0 million (2016: £10.8 million).

The £9.8 million year on year decrease in net cash consists of £8.4 million (2016: £7.1 million) outflow from operating activities, £0.5 million (2016: £17.9 million) investing spend, £0.5 million (2016: £27.1 million inflow) in spend on financing activities and £0.4 million (£0.0 million) in currency movements.

The £8.4 million (2016: £7.1 million) outflow from operating activities included a £1.2 million net working capital outflow (2016: £1.4 million outflow), largely the result of increased inventory holding compared to the prior year, along with a £0.5 million (2016: £1.1 million) tax refund received. The balance of the £8.4 million outflow from operating activities (2016: £7.1 million outflow) relates principally to the “cash” operating loss (operating loss excluding non-cash items).

Investing spend included £0.8 million (2016: £0.4 million) of capital expenditure, mainly related to demonstration stock to support sales activities, and leasehold improvements. A further £0.3 million was received in the period in connection with the Brimtek acquisition (2016: £17.5 million outflow).

On 17 October 2016 the Group replaced an existing £5.0 million secured working capital facility for export activities with a new two year £10.0 million secured revolving credit facility with Investec Bank plc. The funds available through this facility will be used to meet the increasing working capital requirements of the Group’s organic growth. The facility is secured by a fixed and floating charge over the Group’s assets and includes covenants which are tested quarterly. The facility was not being utilised at 31 March 2017, but at time of approval of the financial statements is drawn to the extent of £6,094,000, with a net debt position of £4,167,000. No banking covenants have been breached at the time of approval of the Annual Report and waivers to covenants tests have been agreed with Investec during the testing period to date. In addition to this secured facility, on 28 September 2017 the Group has arranged an unsecured £5.25 million loan facility with Herald Investment Trust to supplement the above facility for a period of 15 months, which has not been drawn on.

DIVIDENDS

The Board is not recommending the payment of a dividend (2016: £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, political 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

INTERNATIONAL EXPANSION

The Group’s future success will depend in part on its ability to continue sell and 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;
- ensuring the Group obtains export licenses and is compliant with appropriate export control legislation; and
- increased working capital requirements.

Mitigation
A robust recruitment process is in place for all Group employees ensuring that required skills are available to the Group to facilitate international sales and expansion.

An international sales operation, targeting key geographies and partners, is in place 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 managers have responsibility for project delivery, cash collections, 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.

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. In addition the Group has enhanced the security of the IT infrastructure to ensure appropriate protection of intellectual property assets.

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, existing products are being developed and utilised in new and innovative ways to meet client needs and achieve differentiation.

AVAILABILITY OF CAPITAL AND CASH FLOW

In order to enable the Company to progress through further stages of development it may be desirable for the Company to raise additional capital and there can be no assurance that such funding, if required, will be available to the Company. The availability of long or short-term bank debt will depend on progress with stated strategy and trading prospects.

Mitigation
Should the proposed divestment of the Video Business proceed as expected, the cash requirements of the retained Thruvision Group for the period up to and including 30 September 2018 will be comfortably accommodated within the Group's enlarged cash resources and a return of surplus cash to investors is anticipated. Should the divestment not proceed as expected, the Board has reviewed cash flow projections for the Group, including the Video Business, for the period up to and including 30 September 2018. These forecasts and projections take into account reasonably possible changes in trading performance and show that the Group will be able to operate within the level of current funding resource, including applicable financial covenants. However, in the event that the Group trades outside of this reasonably foreseeable scenario, the Board believes it can take appropriate cost reduction measures which will allow the Group to trade within its financial resources, including the recently agreed unsecured £5.25 million facility with Herald Investment Trust.

KEY MANAGEMENT AND EMPLOYEES

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. 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 reviews the appropriate remuneration structure and median market levels in respect of the Executive Directors.

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.

MANUFACTURING CAPABILITY

The Group's manufacturing capability is based at its Oxfordshire facility and loss of this facility would cause a short-term impact on the ability to manufacture and hence deliver Thruvision units.

Mitigation
Where possible subsystems are outsourced to 3rd parties and a number of different manufacturing partners have been engaged. It is planned to invest resource in the coming year to identify additional manufacturing partners so that the loss of any one facility or partner would not have a significant effect of the Group's ability to manufacture and deliver Thruvision products.

DELIVERY

The reputation of the Group depends on effective and timely delivery of its products and services to clients. Technology failure, supplier failure, availability of key components 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 and external 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.

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 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.

GOVERNMENT SPENDING

A significant portion of the Group's revenues are generated from 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.

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.

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.

FAILURE TO COMPLETE THE DIVESTMENT OF THE VIDEO BUSINESS

Although the divestment of the Video Business is well advanced and the Board has high confidence of a successful outcome in the very near future, there can be no guarantee that the transaction will complete. In this eventuality, the Group will have failed to address the weaknesses relating to the stretch of the resources available to it within its current structure and the forecast uncertainty and consequent risk to period-end reporting, as identified in the Chairman's Statement.

Mitigation
The Board has reviewed cash flow projections for the Group, including the Video Business, for the period up to and including 30 September 2018. These forecasts and projections take into account reasonably possible changes in trading performance and show that the Group will be able to operate within the level of current funding resource, including applicable financial covenants. However, in the event that the Group trades outside of this reasonably foreseeable scenario, the Board believes it can take appropriate cost reduction measures which will allow the Group to trade within its financial resources.

Approved by the Board and signed on its behalf:

Tom Black
Non-Executive Chairman

29 September 2017

Directors' biographies

Tom Black, (57) Non-Executive Chairman

Tom was appointed a Director on 8 February 2010 and is the Non-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 was appointed Chief Executive in 1995 and 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 Adept 4 plc, and Herald Investment Trust plc, a Director of Grantdean Ltd and a trustee of the Black Family Charitable Trust. It is anticipated that Tom will assume the position of Executive Chairman on completion of the sale of the Video Business.

Zak Doffman, (45) Chief Executive Officer

Zak was appointed a Director on 8 February 2010 and, in addition to leading the executive team, is responsible for all sales and marketing at Digital Barriers. He has spent over 20 years working across the technology and professional services sectors, and over ten years specialising in defence and homeland security. 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. Zak will be stepping down from the Board at the completion of the sale of the Video Business.

Colin Evans, (49) Chief Operating Officer

Colin was appointed a Director on 8 February 2010 and leads the engineering and operations teams at Digital Barriers. Colin has 22 years' experience working in the defence and homeland security industry, delivering complex technology systems, managing relationships with other technology partners and system integrators, and optimising internal delivery processes. Prior to joining Digital Barriers, Colin spent 15 years with Detica Group plc, where he was Group Chief Operating Officer. It is anticipated that Colin will assume the position of Managing Director on completion of the sale of the Video Business.

Sharon Cooper, (41) Chief Financial Officer

Sharon was appointed a Director on 3 March 2014 and is responsible for all aspects of financial management and reporting in the Group. Sharon is a Chartered Accountant by training, having started her career at Ernst & Young in 2000. She joined Digital Barriers following her previous role as VP, Commercial Finance at Sophos Limited, having previously served with the organisation as Group Financial Controller. Sharon graduated from Southampton University with a degree in Accounting and German and is a member of the Institute of Chartered Accountants in England and Wales. Sharon will be stepping down from the Board at the completion of the sale of the Video Business.

Bernie Waldron, (60) 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 APSU USA Limited, Process Systems Enterprise Limited, Nexus Limited and Questionmark Computing 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. Bernie will be stepping down from the Board at the conclusion of the Annual General Meeting to be held on 23 October 2017.

John Woollhead, (56) Company Secretary

John was appointed Company Secretary on 13 April 2010 and 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.

Paul Taylor, (52) 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 a Trustee of the CAD Centre Pension Fund.

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

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 year ended 31 March 2017.

The purpose of the Annual Report is to provide information to members of the Company. The Company, its Directors, employees, agents and advisors 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 currently 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 or guarantee of future results.

The Company is committed to appropriate standards of corporate governance as an efficient and effective approach to managing the Company and its subsidiaries.

The Company is not required to comply with the 2014 UK Corporate Governance Code (the ‘Code’) given the Company is listed on the AIM market of the London Stock Exchange. However, the Directors have agreed to adopt many of the principles contained in the Code.

Principal activities

The principal activities of the Group are currently the provision of visually intelligent solutions to the global surveillance, security and safety markets. Further information can be found within the Business review section on pages 4 to 6. The Chairman’s statement on page 2 of this report details the expected sale of the Video business in the coming weeks. On the assumption that this transaction completes as anticipated the principal activity of the Group will be the development and sale of passive people-screening solutions.

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 Strategic report incorporating the Chairman’s statement on pages 2 to 4, the update on strategy on pages 6 to 9 , the Business review on pages 4 to 6 and the review of principal risks and uncertainties on pages 12 to 15. The financial position, cash flows and liquidity position are described in the Financial review on pages 9 to 12. In addition, note 20 of 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.

The Group’s net loss for the year was £16.7 million (2016: £12.6 million). As at 31 March 2017, the Group had net current assets of £10.0 million (2016: £19.9 million) and net cash reserves of £1.0 million (2016: £10.8 million).

As has been previously highlighted in market updates, the Group faces unpredictable and extended sales cycles associated with a business that sells predominantly to government customers overseas. This was the case during the year ended 31 March 2017, where despite headline revenue growth of 25% to £26.5 million (2016: £21.1 million), several key sales failed to close in the final quarter of the year and this, together with an impairment charge of £7.5 million, resulted in a loss before tax for continuing operations for the Group for the year of £16.7 million (2016: £8.5 million). This was clearly a disappointing result for the Group.

It has become clear that, despite the class-leading nature of our technologies and the flagship nature of our customers, we cannot successfully operate a business on the public markets with these material challenges. Therefore, the Board decided to undertake a far-reaching internal review of the Group was undertaken.

Full details of this review can be found in the Chairman’s Statement. This review concluded that an alternative corporate and funding structure would be in the best interests of the Group, its shareholders and stakeholders. It further concluded, following a discreet marketing exercise that it would be highly unlikely that a single buyer for the whole Group would be found and therefore a sales process for the Video Business is currently being undertaken, managed by Investec Bank plc.

Following a multi-staged and competitive process, the Board received a number of indicative offers from interested parties and is currently in advanced discussions with two parties to sell the Video Business (the “Potential Transaction”) which is expected to conclude with one of those parties in the near future. The quantum of the consideration being proposed in cash under either proposal is expected to be in excess of the equity market capitalisation of the Group at the time of approval of the Annual Report. However, the Potential Transaction remains subject to further due diligence, the signing of binding legal documentation and shareholder approval. As such, there can be no certainty that the discussions will lead to a transaction being completed. As a result, to ensure the Group has adequate funding, the directors agreed a further £5.25 million unsecured facility with Herald Investment Trust.

Should the proposed divestment of the Video Business proceed the secured revolving 2 year £10 million credit facility provided to the Group by Investec Bank plc (which is secured by a fixed and floating charge over the Group's assets and includes covenants which are tested quarterly) will be repaid in full. The facility was not being utilised at 31 March 2017, but at the time of approval of the financial statements is drawn to the extent of £6,094,000 with a net debt position of £4,167,000. No banking covenants have been breached at the time of approval of the financial statements and waivers to covenant tests have been agreed with Investec during the testing period to date. At the time of approval of the financial statements nothing has been drawn down under the additional £5.25 million 15-month loan facility with Herald Investment Trust but any drawn amount will also be repaid in full following a successful divestment.

Should the proposed divestment of the Video Business proceed as expected, the cash requirements of the retained Thruvision Group for the period up to and including 30 September 2018 will be comfortably accommodated within the Group's enlarged cash resources and a return of surplus cash to investors is anticipated. Should the divestment not proceed as expected, the Board has reviewed cash flow projections for the Group, including the Video Business, for the period up to and including 30 September 2018. These forecasts and projections take into account reasonably possible changes in trading performance and show that the Group will be able to operate within the level of current funding resource, including applicable financial covenants. However, in the event that the Group trades outside of this reasonably foreseeable scenario, the Board believes it can take appropriate cost reduction measures which will allow the Group to trade within its financial resources.

Given the above the Board confirms that it has a reasonable expectation that the Group will continue as a going concern. Therefore, these financial statements have been prepared on this basis and do not contain any adjustments that would result if the Group was unable to continue as a going concern.

Group results

The Group's Consolidated income statement set out on page 44 shows a loss before tax from continuing operations for the year of £16.7 million (2016: £8.5 million), and a loss for the year of £16.7 million (2016: £12.6 million).

Dividends

The Directors are not recommending a dividend in respect of the year ended 31 March 2017 (2016: £nil).

Governance

Digital Barriers is committed to maintaining high standards of corporate governance. The Group is not bound by the provisions of the Code, given it is listed on AIM. However, the Board endeavours, so far as is practicable, to comply with many of the principles of the Code. During the year under review, the Board has maintained the internal controls and processes to ensure as far as possible compliance with the Code.

Further explanation of the high-level corporate governance principles is given in the Corporate governance section of this report on pages 25 to 32 and in connection with Directors' remuneration in the relevant section of the Remuneration report on pages 33 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 17 to the financial statements. As at the date of this report, 165,130,024 Ordinary Shares of 1 pence each ('Ordinary Shares') were in issue and fully paid with an aggregate nominal value of £1,651,300. In addition, 163,124 Deferred Shares of £1 each ('Deferred Shares') were in issue and fully paid with an aggregate nominal value of £163,124.

On 23 August 2016, 23,785 Ordinary Shares were issued to an employee in respect of a bonus payment due for the year ended 31 March 2016.

On 15 February 2017, 54,375 Incentive Shares converted into 54,375 Deferred Shares of £1 each. At the date of this report no Incentive Shares were in issue.

The provisions relating to the Incentive Shares, and their potential conversion to Ordinary Shares dependent on Group performance, are contained in the Articles of Association of the Company (the 'Articles'). Initially provision had not been made in the Articles for the circumstance whereby Incentive Shares were valued at nil and did not convert into Ordinary Shares on the conversion date. Accordingly, a resolution was passed at the AGM held on 21 September 2015 so that Incentive Shares which did not convert to Ordinary Shares on the relevant conversion date converted into Deferred Shares with very limited rights and value.

Full details are given in the notes to the 2015 AGM on page 82 of the 2015 Annual Report.

On 28 August 2013, the Company was granted a Blocklisting authority over 600,000 Ordinary 1 pence Shares in order to satisfy awards that have vested and are capable of exercise under the Long-Term Incentive Plan. From 28 August 2013 to the date of this report, 70,500 shares have been issued from the Blocklisting facility. Accordingly, at 31 March 2017, 529,500 (2016: 529,500) shares remain outstanding to be issued from the Blocklisting facility.

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 UK 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 Deferred 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 Deferred Shares). The Deferred Shares do not confer a right to be paid a dividend. The transfer of Deferred Shares is prohibited except with the prior written consent of the Board. Additional details regarding Deferred Shares are given on page 69.

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 2017, the EBT did not hold any shares in the Company.

Changes to 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 37.

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.

Issue of shares

At the general meeting held on 23 September 2016, 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 £550,433.

It is proposed at the forthcoming Annual General Meeting (AGM)to renew the authority to allot relevant securities up to an aggregate nominal amount of £550,433, being 33% of the nominal value of the current issued share capital.

Also at the general meeting held on 23 September 2016, 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 £82,565 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 £82,565, being 5% of the current nominal value of the issued share capital, without application of the statutory pre-emption rights.

Purchase of own shares

Should the sale of the Video business complete as anticipated, it is expected that cash will be returned to shareholders by way of share buy back and subsequent cancellation of those shares. Accordingly, the following resolutions will be proposed at the forthcoming Annual General Meeting;

It is proposed to renew and increase the authority for the Company to make market purchases of its own shares provided that:

- the maximum number of Ordinary Shares hereby authorised to be purchased is 24,752,990;
- 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 derived from the AIM appendix of the Daily Official List of the Exchange for the five business days immediately prior to the day on which the share is contracted to be purchased;
- the minimum price which may be paid for an Ordinary Share is 1 pence exclusive of attributable expenses payable by the Company; and
- the authority conferred by this resolution, unless previously renewed, revoked, varied or extended, shall expire on the earlier of the conclusion of the next AGM of the Company and the date falling 18 months after the date of passing this resolution, except that the Company may, before such expiry, enter into one or more contracts for the purchase of Ordinary Shares which may be completed by or executed wholly or partly after the expiration of this authority.
- In addition to the above it is also proposed at the forthcoming AGM introduce the authority for the Company to make market purchases of its own shares by way of a Tender Offer provided that:
- the maximum number of Ordinary Shares hereby authorised to be purchased pursuant to one or more tender offer(s) is limited to an aggregate number of 24,769,503;
- 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 derived from the AIM appendix of the Daily Official List of the Exchange for the five business days immediately prior to the day on which the share is contracted to be purchased;
- the minimum price which may be paid for an Ordinary Share is 1 pence exclusive of attributable expenses payable by the Company;
- the authority conferred by this resolution may only be used to make market purchases pursuant to a tender offer and for these purposes a 'tender offer' shall mean an offer by the Company to purchase all or some of its own Ordinary Shares that is:
- communicated to all holders of Ordinary Shares by means of a circular or advertisement in two national newspapers;
- open to all holders of Ordinary Shares on the same terms for at least 7 days; and
- open for acceptance by all holders of Ordinary Shares pro rata to their existing holdings; and
- the authority conferred by this resolution, unless previously renewed, revoked, varied or extended, shall expire on the earlier of the conclusion of the next AGM of the Company and the date falling 18 months after the date of passing this resolution, except that the Company may, before such expiry, enter into one or more contracts for the purchase of Ordinary Shares which may be completed by or executed wholly or partly after the expiration of this authority.

Significant agreements – change of control

A change of control of the Company following a takeover bid may cause a number of 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 September 2017, 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
Schroder Investment Management	34,115,609	20.05
Herald Investment Management	15,329,712	9.28
Volantis	14,614,119	8.85
M&G Investment Management	11,666,158	7.06
Tom Black	9,319,432	5.64
Aviva Investors	9,007,004	5.45
GAM	9,000,700	5.45
Hargreave Hale, Stockbrokers	8,875,466	5.37
Invesco Perpetual Investment Management	8,502,010	5.15
Soros Fund Management	8,121,686	4.92
Janus Henderson Investors	7,486,632	4.53

Directors

The names and biographical details of the current Directors of the Company are given on pages 16 and 17. Bernie Waldron and Paul Taylor are considered to be independent Non-Executive Directors. Given his previous executive role with the Company and his significant shareholding, Tom Black is not considered to be an independent Non-Executive Director. 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. Sharon Cooper was appointed a Director on 3 March 2014, Paul Taylor on 1 April 2012 and Bernie Waldron on 1 July 2012.

Bernie Waldron will step down from the Board at the conclusion of the AGM to be held on Monday 23 October 2017. It is anticipated that Sharon Cooper and Zak Doffman will step down from the Board at the completion of the sale of the Video Business. Sharon Cooper will remain with the company for a number of weeks thereafter to ensure a smooth transition.

The rules on appointment, re-appointment 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, Tom Black and Colin Evans are submitting themselves for re-election at the forthcoming AGM. A review of director performance will be undertaken after the publication of this report.

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 37.

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 Act. 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 year under review, expenditure totalling £3.1 million (2015: £3.0 million) relates to development of hardware and software products. Additional information is given in the Strategic report on page 2.

Employees

At 31 March 2017, the Group employed 164 people predominantly in the UK, 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, regular email updates, social media 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 page 34.

A mentoring scheme, covering all employees, was introduced in March 2015 to improve communication and maintain and enhance employee relationships across the Group.

An employee satisfaction survey was undertaken in October 2016. The results were reviewed by the Board and as a result a number of management actions and initiatives were implemented in order to enhance employee relations.

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.

Pensions

The Group does not operate any defined benefit pension funds. A defined contribution scheme, in accordance with the auto enrolment regulations, is in operation for all UK-based employees unless an individual employee has waived their rights under the legislation.

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 size, structure and on-going 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 customers they serve.

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, including anti-corruption compliance, 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 small number of Company vehicles, 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 9 to 11 and in note 18 of the financial statements.

Post balance sheet events

Loan facility with Herald Investment Management LLP
On 28 September 2017, Digital Barriers PLC agreed a 15 month £5.25 million unsecured loan facility with Herald Investment Trust. The funds available through the facility are in addition to the Group's existing revolving credit facility and will be used to meet the working capital requirements of the Group.

Release of deferred consideration
In June 2017, Digital Barriers reached an agreement with the former shareholders of Brimtek Inc. As part of this agreement amounts totalling $1,450,000 were released from the escrow account to Digital Barriers. In addition the former shareholders waived any potential rights to deferred consideration in connection to the acquisition of Brimtek Inc. in March 2016. As at 31 March 2017 the deferred consideration balance amounted to £nil having been released on expectation of a significant shortfall to the earn-our targets (2016: £2,018,000).

Political donations

No political donations were made during the year (2016: £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 pages 42 and 43.

Annual General Meeting

The Annual General Meeting (AGM) will be held at the offices of Osborne Clarke, One London Wall, London, EC2Y 5EB on Monday 23 October 2017 at 10.00 am. The notice convening the meeting is on page 92 of this report and contains 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 Woollhead
Company Secretary
121, Olympic Avenue
Milton Park
Abingdon
Oxon
OX14 4SA

Registered in England and Wales No. 07149547

29 September 2017

Corporate governance report

This report for shareholders sets out Digital Barriers' approach to Corporate Governance. The Company is listed on AIM and accordingly is not required to comply with the provisions contained in the 2014 UK Corporate Governance Code ('the Code') published by the Financial Reporting Council, available at www.frc.org.uk.

However, the Directors have agreed to adopt, as far as practicable, many of the principles contained in the Code.

The Board

The Board of 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, product development, resource allocation, sales, customer relationships and initial due diligence on mergers and acquisitions.

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

		Board	Audit	Remuneration	Nomination
Tom Black	Non-Executive Chairman	Chairman	–	–	–
Bernie Waldron	Non-Executive Director and Senior Independent Director	Member	Member	Chairman	Chairman
Zak Doffman	Chief Executive Officer	Member	–	–	–
Colin Evans	Chief Operating Officer	Member	–	–	–
Sharon Cooper	Chief Financial Officer	Member	–	–	–
Paul Taylor	Non-Executive Director	Member	Chairman	Member	Member

Biographies of each of the current Directors and their responsibilities can be found on pages 16 and 17.

Bernie Waldron will step down from the Board at the conclusion of the AGM to be held on Monday 23 October 2017. It is anticipated that Zak Doffman and Sharon Cooper will step down from the Board on completion of the sale of the Video Business.

During the year, all the Non-Executive Directors 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.

After careful review, the Board has concluded that Bernie Waldron and Paul Taylor were both independent throughout the year and that both remain independent at the date of this report. In coming to these assessments, the Board considered their 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.

Given his previous executive role with the Company and his significant shareholding, the Board does not consider Tom Black to be an independent Non-Executive Director.

In the year 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
Zak Doffman	11/11
Colin Evans	10/11
Sharon Cooper	11/11
Paul Taylor	10/11
Bernie Waldron	11/11

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 Executive Directors;
- consideration of the independence of the Non-Executive Directors; and
- receiving reports on the views of the Company's shareholders.

During the year, 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 and 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 customer 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.

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 process for appraising the Chairman's performance is set out on page 31.

Board Committees

Summary
There are three principal Board Committees: Audit; Remuneration; and Nomination. The roles and responsibilities of each of these Committees are 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

Paul Taylor was Chairman of the Committee during the year under review and to the date of this report. The other member during this period was Bernie Waldron. 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 is deemed by the Board to have recent and relevant financial experience and is 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 in the Directors' biographies on pages 16 and 17. Further information on the work of the Audit Committee during the year is given below.

Terms of reference
The Audit Committee's terms of reference are available on request and published on the Group's website. The Audit Committee reviewed and re-approved its terms of reference in March 2017. 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 Finance Director and Executive Directors attend Committee meetings by invitation of the Committee. Representatives of the Group's external auditor also attend these meetings by invitation. During the year, 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 under review is shown in the table below:

	Meetings attended
Paul Taylor	3/3
Bernie Waldron	3/3

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 Audit 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 including the management of intellectual property 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 Audit Committee's work during the year 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 LLP without the Executives present. In addition, the Audit Committee Chair met with Ernst & Young LLP to discuss the audit review process and other relevant matters.

External auditor
The Audit 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 year under review, the non-audit-related work undertaken by Ernst and Young LLP 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 LLP in the year under review are given in note 3 to the accounts on page 60.

Internal audit function

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

Re-appointment 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 September 2017, 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 2018.

The Audit Committee was satisfied, in view of their performance in respect of the 2017 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 Monday 23 October 2017.

Remuneration Committee

Bernie Waldron was Chairman of the Remuneration Committee during the year under review and to the date of this report. The other member during this period was Paul Taylor.

The Remuneration Committee is responsible for reviewing remuneration arrangements for 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 and up to the date of this report, the Remuneration Committee made recommendations to the Board regarding:

- basic salary and other benefits of the Executive Directors and other senior employees of the Group;
- bonus payable to certain Executive Directors in respect of the year ended 31 March 2016;
- conditions applicable to the Bonus Scheme for the Executive Directors for the year commencing 1 April 2016;
- policy regarding the provision of equity incentive for Executive Directors and senior management;
- awards, and associated performance conditions, made under the Long-Term Incentive Plan in 2016;
- awards made under the Sharesave Scheme;
- treatment of outstanding LTIP awards in respect of employees of the Video business who may leave the Group following the potential sale of the Video business; and
- the appointment of New Bridge Street as Remuneration Consultants.

It is expected that formal bonus arrangements for the Executive Directors for the year ended 31 March 2018 will formalised after the publication of this report.

The terms of reference of the Remuneration Committee are available on request and are published on the Group's website. The Chairman of the Remuneration Committee provided a report to the Board following each meeting of the Remuneration 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	9/9
Paul Taylor	9/9

The Remuneration report is set out on pages 33 to 40.

Nomination Committee

Bernie Waldron was Chairman of the Nomination Committee during the year under review and to the date of this report. The other member during this period was Paul Taylor.

The Nomination Committee meets as and when required. During the year under review, it met once and details of Directors' attendance at that meeting are set out in the table below. Company executives and advisors attend meetings by invitation only. The Nomination 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 Nomination 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 Non-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 Nomination 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 year under review and up to the date of this report, the Nomination Committee met and made recommendations to the Board regarding:

- the proposed re-election of Tom Black at the forthcoming AGM
- the proposed re-election of Colin Evans at the forthcoming AGM; and
- the appointment of an Interim Finance Director and the search for a permanent replacement for Sharon Cooper.

The attendance of individual Nomination Committee members at Nomination Committee meetings during the year under review is shown in the table below:

	Meetings attended
Bernie Waldron	2/2
Paul Taylor	2/2

Chairman and Executive Directors
During the year and to the date of this report there is a clear division of responsibilities between the roles of Chairman (who served in a Non-Executive capacity but will assume an executive role with effect from completion of the sale of the Video Business) and the Executive Directors, which is set out in writing and which has been approved by the Board.

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.

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 in May 2016. 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 have been 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, succession planning and Board/Committee constitution. The results of the exercise were discussed by the Board who concluded that the Board and its Committees were operating effectively.

Again, in May 2016, 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 was agreed earlier in the year that the evaluation process for the Board, its committees and the individual Directors in 2017 would be undertaken once the annual results are announced thus enabling issues arising during the preparation of the report and the related audit to be taken into consideration. Accordingly, it is anticipated that this evaluation process will be undertaken during September 2017 and annually thereafter.

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 AGM of the Company will be held on Monday 23 October 2017. In accordance with the Articles, Tom Black and Colin Evans are offering themselves 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 been maintained 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 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 year 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 2017.

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, the Chief Executive Officer and the Chief Financial Officer 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. 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.

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.

Annual General Meeting (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.

Remuneration report

Composition of the Remuneration Committee

The Board has appointed a Remuneration Committee of Non-Executive Directors of the Company. During the year under review and to the date of this report, the Committee consists of Bernie Waldron (Chairman) and Paul Taylor.

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 year 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 and are available on request.

The Committee met 7 times during the year. Details of attendance are shown in the Corporate Governance statement on page 29.

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.

In March 2013, the Remuneration Committee of the Board undertook 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. In light of changing circumstances, the policy has been considered each year and updated accordingly.

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.

Year ending 31 March 2017

During the year under review, it was the policy of the Company that Executive Directors receive a basic salary with a bonus opportunity, an award under the Group Long Term Incentive Plan ('LTIP'), life assurance of four times salary, private medical insurance and pension fund membership as additional benefits. In addition, Tom Black, Colin Evans and Zak Doffman subscribed for Incentive Shares on IPO, further details of which are given on pages 36.

Year ending 31 March 2018 and subsequent periods

Following a review of Executive Director remuneration arrangements, a similar structure of remuneration will be payable in respect of base salary, bonus opportunity, LTIP award and other relevant benefits.

The Remuneration Committee undertook a review of long-term incentives for both the Executive Directors and senior managers within the Group during 2016 and concluded at that time that the existing arrangements were satisfactory.

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.

Bonus opportunity
It is expected that formal bonus arrangements for the Executive Directors will be agreed subsequent to the publication of this report. Any bonus payments will be paid fully in cash.

Long Term Incentive Scheme
It is anticipated that a review of long-term incentive schemes will be undertaken subsequent to the publication of this report with the expectation that any revised structure will be implemented later in 2017.

Pension
The Company introduced a Defined Contribution pension scheme, in line with legislation, for all employees (including Directors) in October 2015.

Accordingly, Zak Doffman, Colin Evans and Sharon Cooper were automatically enrolled into the scheme in October 2015. The scheme provides for both employer and employee contributions to be made at the rate of 1% of base salary. The employer contributions of Zak Doffman and Sharon Cooper are given on page 37. Colin Evans decided not to participate in the scheme and accordingly no contributions have been made on his behalf.

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

The base salaries of Zak Doffman £330,000 (2016: £330,000), Sharon Cooper £210,000 (2016: £210,000) and Colin Evans £310,000 (2016: £310,000) have remained unchanged to the date of this report. With effect from the completion of the sale of the Video Business the base salary of Colin Evans will reduce to £235,000 and the base salary of Tom Black (who will assume an executive position on that date) will reduce to £45,000. As stated previously Zak Doffman and Sharon Cooper will step down from the Board on the completion of the sale of the Video Business.

Termination payments

As previously stated it is anticipated that Zak Doffman and Sharon Cooper will step down from the Board on the completion of the sale of the Video Business. Bernie Waldron will be stepping down from the Board at the conclusion of the AGM on 23 October 2017.

Normal base salary payments will be made to Zak Doffman and normal fee payments will be made to Bernie Waldron up to the date they step down from the Board. No other payments will be made to them in respect of their leaving the Company.

In addition to six month's base salary, a transaction bonus of £35,000 will be payable to Sharon Cooper following the successful conclusion of the sale of the Video Business. No other payments will be made to her.

Bonus scheme

Year ending 31 March 2017
During the year under review, the Executive Directors participated in a bonus arrangement as detailed in the 2016 Annual Report.

The targets associated with the bonus arrangement were not achieved and accordingly the Remuneration Committee has agreed that a bonus will not be payable under this arrangement to any of the Executive Directors in respect of the year to 31 March 2017.

Year ending 31 March 2018
It is expected that formal bonus arrangements for the Executive Directors will be agreed subsequent to the publication of this report. Any bonus payments will be paid fully in cash.

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 to both Executive Directors and senior management are approved by the Remuneration Committee.

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 made under the LTIP prior to 31 March 2015 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 Approved 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%

During 2016 the Remuneration Committee reviewed the performance condition relative to the LTIP. In order to drive profit and revenue growth, it was agreed that future awards be based on specific profit and revenue targets rather than TSR.

Accordingly, all awards made in the period 1 April 2016 to 31 Match 2017 are subject to a performance condition that relates to revenue (with a profit related underpin) in the period 1 April 2018 to 31 March 2019.

The performance condition is reviewed by the Remuneration Committee prior to each LTIP award to ensure it remains appropriate.

Awards under the LTIP were made to the Executive Directors in July 2016 as detailed on page 39 of this report.

Sharesave Scheme
At the General Meeting held on 1 November 2013, the introduction of a Sharesave Scheme ('the Scheme') was approved. The Scheme was launched in June 2014 with options granted, at an option price of 96 pence, on 8 July 2014. Seventy-nine employees participated in the Scheme being granted a total of 603,533 Options. At 31 March 2017, 5,625 options remain capable of exercise under this award.

A further award under this scheme was made on 29 July 2016 whereby a total of 1,999,692 options were granted to eighty-eight employees at an option price of 31p. At 31 March 2017 1,916,949 options remain capable of exercise under this award.

Options under the Sharesave Scheme were granted to the Executive Directors as detailed on page 40 of this report.

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

Deferred Share Bonus Plan ('the Plan')
The introduction of a Deferred Share Bonus Plan for use in conjunction with the bonus arrangements for the Executive Directors and for other senior employees of the Group who may have an entitlement to Deferred Shares under Group bonus arrangements was approved by the 2013 AGM.

Full details of the Plan are given in the 2015 Annual Report.

To date no awards have been made under the Plan.

Dilution limits and Employee Benefit Trust
It is the policy of the Company that awards made under the LTIP, the Sharesave Scheme, via the Deferred Share Bonus Plan and any other long-term incentive scheme which are to be satisfied by new issue shares will, in total, 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.

At 31 March 2017, potentially dilutive awards have been made and are still outstanding as detailed below:

	31 March 2017	31 March 2016
Awards under the LTIP	**7,327,646**	6,218,411
Awards under the Sharesave Scheme	**1,922,574**	447,685
Awards under the Deferred Share Bonus Plan	**Nil**	Nil
Total	**9,244,076**	6,666,096

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.

It is anticipated that the majority of awards under the LTIP made prior to 31 March 2015 will not vest given that the TSR performance condition is unlikely to be achieved.

The Remuneration Committee has concluded that any awards made to employees of the Video Business will be capable of exercise (subject to the satisfaction of the performance condition) on the date of completion in respect of the sale of that business. However, the Remuneration Committee has also concluded that the performance condition has not been achieved in the period from LTIP award to the end of September 2017.

Accordingly, it is expected that 4,082,500 awards made under the LTIP to Video Business employees will lapse on completion of the sale of the Video Business.

The performance conditions of those equity incentives held by staff remaining with the business will be modified appropriately to ensure that they are not materially more or less difficult to satisfy than intended at the time of their award.

Full details of awards made under the LTIP and Sharesave Scheme during the year are given in note 18 on pages 70 to 73.

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 below. 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, with the 90-day vesting period commencing five business days after the earlier of 31 May of each year and the publication of the Company's preliminary results for the immediately preceding financial year.

Accordingly, in 2016, the 90-day vesting period commenced on 6 June 2016 and ended on 6 September 2016. In accordance with the provisions relating to the Incentive Shares contained in the Articles, no Ordinary Shares were due in respect of the Incentive Share conversion on 6 September 2016.

Initially provision had not been made in the Articles for the circumstance whereby Incentive Shares did not convert into Ordinary Shares on the conversion date. Accordingly, a resolution was passed at the AGM held on 21 September 2015 so that Incentive Shares which did not convert to Ordinary Shares on the relevant conversion date converted into Deferred Shares with very limited rights and value.

Accordingly, on 6 September 2016, 54,375 Incentive Shares converted into 54,375 Deferred Shares of £1 each. The conversion was approved by the Board on 15 February 2017.

At 31 March 2017, no Incentive Shares remained outstanding. The table below details the movements in respect of Incentive Shares and Deferred Shares during the period under review.

	Incentive Shares (capable of conversion) held on 31 March 2016	Incentive Shares that converted to deferred shares on 6 September 2017	**Incentive Shares held on 31 March 2017**	Deferred Shares held on 31 March 2016	**Deferred Shares held on 31 March 2017**
Tom Black	27,187	27,187	**Nil**	54,375	**81,562**
Zak Doffman	13,594	13,594	**Nil**	27,187	**40,781**
Colin Evans	13,594	13,594	**Nil**	27,187	**40,781**

Full details as to the basis of calculation for conversion of Incentive Shares into Ordinary Shares was given in the Admission Document which is available on the Company's website.

Pensions

Zak Doffman and Sharon Cooper participate in the Digital Barriers Pension Scheme a defined contribution scheme introduced in order to comply with the auto enrolment regulations. Colin Evans does not participate in the scheme or any other scheme operated by the Company.

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. 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 2017:

	Annual fees
Tom Black	£60,000
Bernie Waldron	£35,000
Paul Taylor	£35,000

The annual fees for Tom Black, Bernie Waldron and Paul Taylor have remained unchanged to the date of this report. The fee payable to Paul Taylor will remain unchanged for the year ending 31 March 2018. Tom Black will assume an executive position on completion of the sale of the Video Business and his salary will be £45,000 pa from that date. Bernie Waldron will step down from the Board on at the conclusion of the AGM on 23 October 2017.

Directors' remuneration for the year ended 31 March 2017

	Basic salary/fees 2017 £'000	Pension 2017 £'000	Other 2017 £'000	Benefits 2017 £'000	Bonus 2017 £'000	Remuneration **2017** **£'000**	Remuneration 2016 £'000
Executive Directors							
Zak Doffman	330	3	nil	1	nil	**334**	282
Colin Evans	310	nil	nil	1	nil	**311**	311
Sharon Cooper	210	2	nil	1	nil	**213**	182
Non-Executive Directors							
Tom Black	60	nil	nil	nil	nil	**60**	60
Bernie Waldron	35	nil	nil	nil	nil	**35**	35
Paul Taylor	35	nil	nil	nil	nil	**35**	35
Total	**980**	**5**	**nil**	**3**	**nil**	**988**	905

All Directors detailed above were in office during the year and remuneration has been presented from 1 April 2016 to 31 March 2017.

Service contracts

Tom Black, Zak Doffman and Colin Evans are subject to rolling service contracts with a notice period of one year. Sharon Cooper 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.

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. The initial three-year period in respect of Paul Taylor expired on 1 April 2015 and has been extended for a further period of three years. The initial three-year period in respect of Bernie Waldron expired on 1 July 2015 and again has been extended for a further period of three years.

Details of the Directors offering themselves for re-election at the forthcoming Annual General Meeting are set out in the Directors' report on page 22.

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

Non-Executive Chairman	Date of contract	Notice period (months)
Tom Black	23 October 2009	12

Executive Directors		
Zak Doffman	23 October 2009	12
Colin Evans	23 October 2009	12
Sharon Cooper	27 November 2013	6

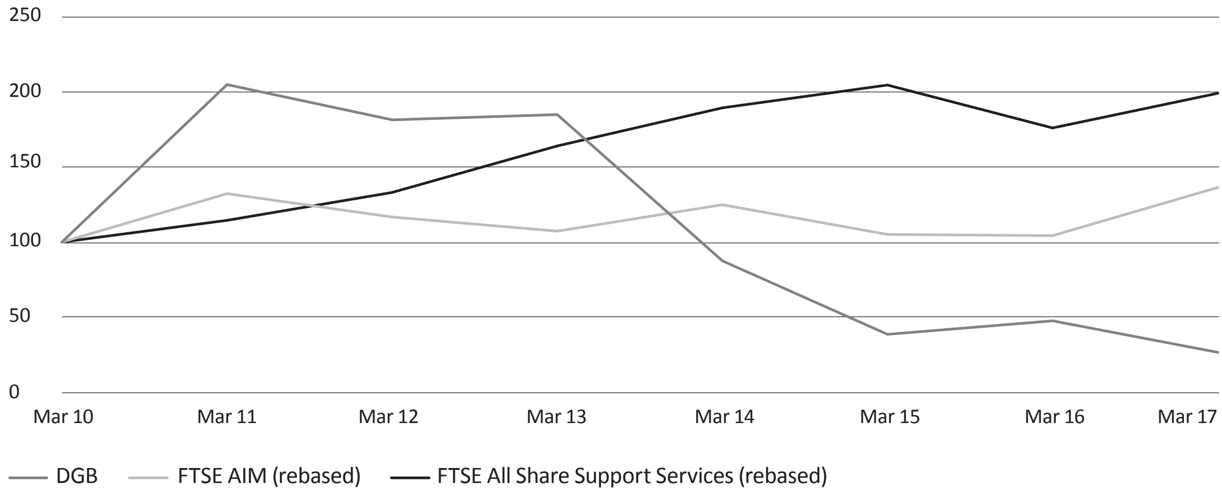
Independent Non-Executive Directors	Letters of appointment	Notice period (months)
Bernie Waldron	22 June 2015	1
Paul Taylor	22 June 2015	1

A summary of the terms of appointment of current Independent 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 2017 the Total Shareholder Return of Digital Barriers plc and the performance of FTSE Aim sector and the FTSE All Share Support 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 25.0 pence and 49.0 pence and at 31 March 2017 was 27.0 pence.



Share awards under the LTIP held at 31 March 2017

	At 1 April 2016	Awarded during the year	Lapsed during the year	Vested during the year	At 31 March 2017	Grant date	Exercisable from	Share price at grant	Exercise price
Zak Doffman									
LTIP award granted June 2014	125,523	nil	nil	nil	125,523	12/06/14	13/06/17 to 12/06/24	£1.195	n/a
LTIP award granted July 2015	1,000,000	nil	nil	nil	1,000,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil
LTIP award granted July 2016	nil	500,000	nil	nil	500,000	28/07/16	29/07/19 to 28/07/26	£0.48	nil
Total LTIP award	**1,125,523**	**500,000**	**nil**	**nil**	**1,625,523**				
comprising:									
HMRC Approved Options	25,104	nil	nil	nil	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	£1.195
Parallel Option[i]	25,104	nil	nil	nil	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	nil
Top-Up Award	100,419	nil	nil	nil	100,419	12/06/14	13/06/17 to 12/06/24	£1.195	nil
Top-Up Award	1,000,000	nil	nil	nil	1,000,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil
Top-Up Award	nil	500,000	nil	nil	500,000	28/07/16	29/07/19 to 28/07/26	£0.48	nil
Colin Evans									
LTIP award granted June 2014	125,523	nil	nil	nil	125,523	12/06/14	13/06/17 to 12/06/24	£1.195	n/a
LTIP award granted July 2015	500,000	nil	nil	nil	500,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil
LTIP award granted July 2016	nil	250,000	nil	nil	250,000	28/07/16	29/07/19 to 28/07/26	£0.48	nil
Total LTIP award	**625,523**	**250,000**	**nil**	**nil**	**875,523**				
comprising:									
HMRC Approved Options	25,104	nil	nil	nil	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	£1.195
Parallel Option[i]	25,104	nil	nil	nil	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	nil
Top-Up Award	100,419	nil	nil	nil	100,419	12/06/14	13/06/17 to 12/06/24	£1.195	nil
Top-Up Award	500,000	nil	nil	nil	500,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil
Top-Up Award	nil	250,000	nil	nil	250,000	28/07/16	29/07/19 to 28/07/26	£0.48	nil
Sharon Cooper									
LTIP award granted June 2014	104,602	nil	nil	nil	104,602	12/06/14	13/06/17 to 12/06/24	£1.195	n/a
LTIP award granted July 2015	250,000	nil	nil	nil	250,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil
LTIP award granted July 2016	nil	200,000	nil	nil	200,000	28/07/16	29/07/19 to 28/07/26	£0.48	nil
Total LTIP award	**354,602**	**200,000**	**nil**	**nil**	**554,602**				
comprising:									
HMRC Approved Options	25,104	nil	nil	nil	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	£1.195
Parallel Option[i]	25,104	nil	nil	nil	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	nil
Top-Up Award	79,498	nil	nil	nil	74,498	12/06/14	13/06/17 to 12/06/24	£1.195	nil
Top-Up Award	250,000	nil	nil	nil	250,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil
Top-Up Award	nil	200,000	nil	nil	200,000	28/07/16	29/07/19 to 28/07/26	£0.48	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 pages 34 and 35.

Share awards under the Sharesave Scheme at 31 March 2017

	At 1 April 2016	Awarded during the year	Lapsed during the year	Vested during the year	**At 31 March 2017**	Grant date	Exercisable from	Share price at grant	Exercise price
Sharon Cooper									
Sharesave option granted June 2014	18,750	nil	18,750	nil	nil	8/07/14	9/7/17 to 8/1/18	£1.195	£0.96
Sharesave option granted June 2016	nil	46,683	nil	nil	46,683	27/07/16	28/7/19 to 27/1/20	£0.48	£0.33
Total Sharesave award	**18,750**	**46,683**	**18,750**	**nil**	**46,683**				

Directors' 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 2017 Ordinary Shares	As at 1 April 2016 Ordinary Shares	**As at 31 March 2017 Incentive Shares**	As at 1 April 2016 Incentive Shares capable of conversion	**As at 31 March 2017 Deferred Shares**	As at 31 March 2016 Deferred Shares
Tom Black	9,319,432	9,319,432	nil	27,187	81,562	54,375
Zak Doffman	732,644	732,644	nil	13,594	40,781	27,187
Colin Evans	1,574,920	1,574,920	nil	13,594	40,781	27,187
Sharon Cooper	96,138	96,138	nil	nil	nil	nil
Bernie Waldron	113,536	113,536	nil	nil	nil	nil
Paul Taylor	118,651	118,651	nil	nil	nil	nil

No Director holds a non-beneficial interest in the Company's share capital. There have been no changes in Directors' shareholdings between 31 March 2017 and 29 September 2017.

Approved by the Board and signed on its behalf:

Bernie Waldron
Chairman, Remuneration Committee

29 September 2017

Directors' responsibility statement – Group financial statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare Accounts for each financial year. Under that law the Directors are required to prepare the Group Accounts in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation. Under company law the Directors must not approve the Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Group Accounts, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Accounts 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Accounts may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The Accounts, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report, which is incorporated into the Statutory Information, includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This Responsibility Statement was approved by the Board of Directors on 29 September 2017 and is signed on its behalf by:

Tom Black
Chairman

29 September 2017

Sharon Cooper
Chief Financial Officer

29 September 2017

Independent auditors' report to the members of Digital Barriers plc

We have audited the financial statements of Digital Barriers Plc for the year ended 31 March 2017 which comprise Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet and the related consolidated financial statements notes 1 to 27 and parent company financial statements notes 1 to 13. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As explained more fully in the Group and Company Directors' Responsibilities Statement set out on pages 41 and 82, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 and 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 2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. 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 financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept 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 and the part of the Directors' Remuneration Report to be audited 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.

James Harris (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
29 September 2017

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 2017

	Note	**Year ended 31 March 2017 £'000**	Year ended 31 March 2016 £'000
Continuing operations			
Revenue	2	**26,504**	21,136
Cost of sales		**(16,649)**	(10,619)
Gross profit		**9,855**	10,517
Administration costs		**(22,817)**	(17,500)
Other income	4	**2,956**	–
Other costs	4	**(7,500)**	(1,718)
Operating loss	3	**(17,506)**	(8,701)
Finance income	6	**1,872**	227
Finance costs	7	**(1,081)**	(32)
Loss before tax from continuing operations		**(16,715)**	(8,506)
Income tax	8	**242**	716
Loss after tax from continuing operations attributable to owners of the parent		**(16,473)**	(7,790)
Discontinued operations			
Loss from discontinued operation (net of tax)	26	**(207)**	(4,832)
Loss for the year		**(16,680)**	(12,622)
Adjusted loss:	4		
Loss before tax from continuing operations		**(16,715)**	(8,506)
Amortisation of intangibles initially recognised on acquisition		**1,509**	1,320
Share based payment charge		**424**	792
Financing set up fees		**421**	–
Release of deferred consideration		**(2,329)**	–
Acquisition related (income)/costs and exceptional write off of bad debt		**(627)**	1,718
Impairment of goodwill		**7,500**	–
Adjusted loss before tax for the year from continuing operations		**(9,817)**	(4,676)
Loss per share – continuing operations			
Loss per share – basic	9	**(9.98p)**	(7.42p)
Loss per share – diluted	9	**(9.98p)**	(7.42p)
Loss per share – adjusted	9	**(6.04p)**	(3.82p)
Loss per share – adjusted diluted	9	**(6.04p)**	(3.82p)
Loss per share – continuing and discontinued operations			
Loss per share – basic	9	**(10.10p)**	(12.01p)
Loss per share – diluted	9	**(10.10p)**	(12.01p)

Consolidated statement of comprehensive income

for the year ended 31 March 2017

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Loss for the year from continuing operations	**(16,473)**	(7,790)
Loss for the year from discontinued operations	**(207)**	(4,832)
Loss for the year attributable to owners of the parent	**(16,680)**	(12,622)

Other comprehensive income from continuing operations		
Other comprehensive income that may be subsequently reclassified to profit and loss:		
Exchange differences on retranslation of foreign operations	**746**	123
Net other comprehensive income to be reclassified to profit or loss in subsequent years	**746**	123
Total comprehensive loss attributable to owners of the parent	**(15,934)**	(12,499)

Consolidated statement of financial position
at 31 March 2017

	Note	**31 March 2017 £'000**	31 March 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	**1,132**	828
Goodwill	11	**17,076**	23,323
Other intangible assets	12	**11,380**	11,397
		29,588	35,548
Current assets			
Inventories	13	**8,018**	4,906
Trade and other receivables	14	**7,656**	13,239
Other financial asset	20	**–**	193
Current tax recoverable		**1,304**	1,022
Cash and cash equivalents*	20	**1,002**	25,599
		17,980	44,959
Non-current assets classified as held for sale	26	**–**	35
Total assets		**47,568**	80,542
Equity and liabilities			
Attributable to owners of the parent			
Equity share capital	17	**1,814**	1,760
Share premium		**109,078**	109,078
Capital redemption reserve		**4,786**	4,786
Merger reserve		**454**	454
Translation reserve		**1**	(745)
Other reserves		**(307)**	(307)
Retained earnings		**(76,912)**	(60,656)
Total equity		**38,914**	54,370
Non-current liabilities			
Deferred tax liabilities	8	**620**	57
Financial liabilities	16	**–**	975
Provisions	22	**90**	119
		710	1,151
Current liabilities			
Trade and other payables	15	**7,908**	9,126
Financial liabilities	16	**–**	1,097
Bank overdraft*	20	**–**	14,763
Provisions	22	**36**	35
		7,944	25,021
Liabilities directly associated with non-current assets classified as held for sale	26	**–**	–
Total liabilities		**8,654**	26,172
Total equity and liabilities		**47,568**	80,542
*** - Net cash and cash equivalents (grossed up above in accordance with IAS 32)**		**1,002**	10,836

The financial statements on pages 44 to 81 were approved by the Board of Directors on 29 September 2017 and were signed on its behalf by:

Tom Black
Chairman

Sharon Cooper
Chief Financial Officer

Consolidated statement of changes in equity
for the year ended 31 March 2017

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Other reserves £'000	Retained Earnings £'000	Total equity £'000
At 31 March 2015	**845**	**82,757**	**4,786**	**454**	**(868)**	**(307)**	**(48,826)**	**38,841**
Loss for the year	–	–	–	–	–	–	(12,622)	(12,622)
Other comprehensive income	–	–	–	–	123	–	–	123
Total comprehensive loss	–	–	–	–	123	–	(12,622)	(12,499)
Share placement	806	27,394	–	–	–	–	–	28,200
Share issue costs	–	(1,073)	–	–	–	–	–	(1,073)
Incentive share conversion	109	–	–	–	–	–	–	109
Share based payment credit	–	–	–	–	–	–	792	792
At 31 March 2016	**1,760**	**109,078**	**4,786**	**454**	**(745)**	**(307)**	**(60,656)**	**54,370**
Loss for the year	–	–	–	–	–	–	(16,680)	(16,680)
Other comprehensive income	–	–	–	–	746	–	–	746
Total comprehensive loss	–	–	–	–	746	–	(16,680)	(15,934)
Incentive share conversion	54	–	–	–	–	–	–	54
Share based payment credit	–	–	–	–	–	–	424	424
At 31 March 2017	**1,814**	**109,078**	**4,786**	**454**	**1**	**(307)**	**(76,912)**	**38,914**

Consolidated statement of cash flows
for the year ended 31 March 2017

	Note	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Operating activities			
Loss before tax from continuing operations		**(16,715)**	(8,506)
Loss before tax from discontinued operations		**(207)**	(4,832)
Loss before tax		**(16,922)**	(13,338)
Non-cash adjustment to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	10	**481**	415
Amortisation of intangible assets	12	**1,588**	1,530
Impairment of goodwill	11	**7,500**	3,582
Impairment of intangible assets	12	**–**	37
Share-based payment transaction expense	18	**424**	792
Unrealised (gains)/loss on foreign exchange		**(119)**	42
Release of deferred consideration	19	**(2,329)**	–
Disposal of fixed assets	10	**5**	15
Finance income	6	**(1,872)**	(227)
Finance costs	7	**1,081**	32
Working capital adjustments:			
Decrease/(increase) in trade and other receivables		**5,582**	(2,452)
(Increase)/decrease in inventories		**(3,077)**	2,088
Decrease in trade and other payables		**(840)**	(1,047)
(Decrease)/increase in deferred revenue		**(425)**	300
Decrease in provisions		**(29)**	(8)
Cash utilised in operations		**(8,952)**	(8,239)
Interest paid		**(8)**	(32)
Tax received		**523**	1,146
Net cash flow from operating activities		**(8,437)**	(7,125)
Investing activities			
Purchase of property, plant and equipment	10	**(760)**	(375)
Expenditure on intangible assets	12	**(32)**	(12)
Interest received		**19**	27
Acquisition of subsidiary, net of debt acquired	19	**288**	(17,511)
Net cash flow utilised in investing activities		**(485)**	(17,871)
Financing activities			
Proceeds from issue of shares	17	**–**	28,200
Share issue costs		**–**	(1,073)
Finance costs		**(549)**	–
Net cash flow (utilised)/from financing activities		**(549)**	27,127
Net (decrease)/increase in cash and cash equivalents		**(9,471)**	2,131
Net cash and cash equivalents at beginning of year		**10,836**	8,701
Effect of foreign exchange rate changes on cash and cash equivalents		**(363)**	4
Net cash and cash equivalents at end of year		**1,002**	10,836

Reconciliation of net cash and cash equivalents		
Cash and cash equivalents (disclosed within current assets)	**1,002**	25,599
Bank overdraft (disclosed within current liabilities)	**–**	(14,763)
Net cash and cash equivalents at end of year	**1,002**	10,836

Notes to the financial information

1. Accounting policies

Basis of preparation
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 March 2017 and applied in accordance with the Companies Act 2006.

The Financial Statements were authorised for issue by the Board of Directors on 29 September 2017 and the Statement of Financial Position was signed on the Board's behalf by Tom Black and Sharon Cooper.

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

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

The consolidated financial statements have been prepared on a historical cost basis, except:

- 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.
- Derivative financial instruments which are classified as at fair value through profit or loss.

Accounting policies
The accounting policies which apply in preparing the financial statements for the period are set out below. These policies have been consistently applied to all periods presented in these consolidated financial statements. The comparative statement of comprehensive income has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 26).

Basis of measurement
Going concern
As has been previously highlighted in market updates, the Group faces unpredictable and extended sales cycles associated with a business that sells predominantly to government customers overseas. This was the case during the year ended 31 March 2017, where despite headline revenue growth of 25% to £26.5 million (2016: £21.1 million), several key sales failed to close in the final quarter of the year and this, together with an impairment charge of £7.5 million, resulted in an loss before tax for continuing operations for the Group for the year of £16.7 million (2016: £8.5 million). This was clearly a disappointing result for the Group.

It has become clear that, despite the class-leading nature of our technologies and the flagship nature of our customers, we cannot successfully operate a business on the public markets with these material challenges. Therefore, the Board decided to undertake a far-reaching internal review of the Group was undertaken.

Full details of this review can be found in the Chairman's Statement. This review concluded that an alternative corporate and funding structure would be in the best interests of the Group, its shareholders and stakeholders. It further concluded, following a discreet marketing exercise that it would be highly unlikely that a single buyer for the whole Group would be found and therefore a sales process for the Video Business is currently being undertaken, managed by Investec Bank plc.

Following a multi-staged and competitive process, the Board received a number of indicative offers from interested parties and is currently in advanced discussions with two parties to sell the Video Business (the "Potential Transaction") which is expected to conclude with one of those parties in the near future. The quantum of the consideration being proposed in cash under either proposal is expected to be in excess of the equity market capitalisation of the Group at the time of approval of the Annual Report. However, the Potential Transaction remains subject to further due diligence, the signing of binding legal documentation and shareholder approval. As such, there can be no certainty that the discussions will lead to a transaction being completed. As a result, to ensure the Group has adequate funding, the directors agreed a further £5.25 million unsecured facility with Herald Investment Trust.

Should the divestment of the Video business proceed, the secured revolving 2 year £10 million credit facility provided to the Group by Investec Bank plc (which is secured by a fixed and floating charge over the Group's assets and includes covenants which are tested quarterly) will be repaid in full. The facility was not being utilised at 31 March 2017, but at the time of approval of the financial statements is drawn to the extent of £6,094,000 with a net debt position of £4,167,000. No banking covenants have been breached at the time of approval of the financial statements and waivers to covenant tests have been agreed with Investec during the testing period to date. At the time of approval of the financial statements nothing has been drawn down under the additional £5.25 million 15 month loan facility with Herald Investment Trust but any drawn amount will also be repaid in full following a successful divestment.

1. Accounting policies continued

Basis of measurement continued
Going concern continued
Should the proposed divestment of the Video Business proceed as expected, the cash requirements of the retained Thruvision Group for the period up to and including 30 September 2018 will be comfortably accommodated within the Group's enlarged cash resources and a return of surplus cash to investors is anticipated. Should the divestment not proceed as expected, the Board has reviewed cash flow projections for the Group, including the Video Business, for the period up to and including 30 September 2018. These forecasts and projections take into account reasonably possible changes in trading performance and show that the Group will be able to operate within the level of current funding resource, including applicable financial covenants. However, in the event that the Group trades outside of this reasonably foreseeable scenario, the Board believes it can take appropriate cost reduction measures which will allow the Group to trade within its financial resources.

Given the above the Board confirms that it has a reasonable expectation that the Group will continue as a going concern. Therefore, these financial statements have been prepared on this basis and do not contain any adjustments that would result if the Group was unable to continue as a going concern.

Basis of consolidation

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 2017.

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale (see note 26), if earlier. When an operation is classified as a discontinued operation, the comparative income is re-presented as it the operation had been discontinued from the start of the comparative year.

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 3 'Business Combinations' goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 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 a number of estimates. These might include revenue and margin projections and assessments of likelihood of contract renewal and these estimates may differ from actual outcomes. The useful economic life of other intangibles also requires the use of estimates which may differ from actual outcomes. Details of other intangibles are disclosed in note 12, including details of the carrying amounts and remaining useful economic lives of individually material assets.

1. Accounting policies continued

Impairment of assets
The Group assess annually whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of the cash-generating units (CGUs) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets of groups of assets. Where the carrying amount of an asset, or group of assets, exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The calculation of value in use of the aggregate cash-generating units to which goodwill has been allocated, includes an estimate of the short-term (up to year three) and long-term (beyond year three up to five years) growth rate of the cash-generating units, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 11, together with details on the impairment of goodwill in the year ended 31 March 2017.

The carrying amount of other intangible assets is disclosed in note 12.

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. This calculation is performed annually each year and compared with the recoverable amount to determine impairment. The testing is only re-performed if an impairment triggering event occurs in the intervening period.

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 3. These estimates may differ from actual outcomes. The carrying value of deferred consideration is disclosed in note 19.

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 8.

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.

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 the income statement. 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.

1. Accounting policies continued

Intangible assets
In accordance with IFRS 3 'Business Combinations', goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 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.

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 twelve years;

Order backlog – one to three years;

Intellectual property and Software – 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 recoverable amount is estimated to be the higher of the other intangible assets fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets of groups of assets. 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 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 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 delivered 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.

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

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 is presented as the gross amount billed to a customer where it is earned from revenue from the sale of goods or services as principal. Revenue is presented as the net amount retained where it is earned through a commission or fee.

Accrued income
Accrued income represents revenue recognised to date less amounts invoiced to customers. Full provision is made for known or anticipated project losses.

1. Accounting policies continued

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. Financial assets are initially measured at fair value and subsequently at amortised cost.

Provisions
Provisions are recognised in the statement of financial position 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; discounting at a pre-tax discount rate when the time value of money is material. Onerous contract provisions are recognised for unavoidable costs of meeting the obligations under a contract that exceed the economic benefits expected to be received under it.

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 statement of financial position's 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 statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position's 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 Digital Barriers SAS (formerly known as 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 Digital Barriers SAS, Digital Barriers Inc, Brimtek Inc and other foreign subsidiaries. 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.

1. **Accounting policies** continued

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 £nil (2016: £nil) have been capitalised in the period (see note 12).

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for any long-term construction projects if the recognition criteria are met. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other repair and maintenance costs are recognised in profit or loss as incurred. 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% to 33% 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.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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 statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

1. Accounting policies continued

Cash equivalents continued
Up to September 2016, a cash pooling arrangement existed across most HSBC Bank Plc bank accounts, cash and overdraft balances held within individual subsidiary companies were reported gross on the statement of financial position in accordance with IAS 32. This is because it is not deemed that these arrangements qualify for net presentation. Net cash reserves is defined as the net of these cash and overdraft balances.

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.

Non-derivative financial assets
Non-derivative financial instruments comprise cash at bank, trade and other receivables and trade and other payables. The Group initially records the financial assets on the date they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on trade date, which is the date that the Group becomes a party to the contractual provision of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of loans to related parties and trade and other receivables.

Cash and cash equivalents comprise cash balances with original maturities of three months or less.

Non-derivative financial liabilities
The Group initially recognises financial liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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 statement of financial position's 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.

The assets and liabilities of foreign operations are translated into Sterling at the rate of exchange ruling at the statement of financial position's date. Income and expenses are translated at weighted average exchange rates for the period where this is a reasonable approximation of the actual rates. Where weighted average exchange rates are not a reasonable approximation of the actual rates, the actual exchange rates at the date of the transaction are used. 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 Company 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.

All awards made under the LTIP after 31 March 2015 are subject service conditions and performance conditions that relate to revenue (with a profit related underpin) in the future. 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 Black-Scholes 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 statement of financial position's 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 non-market 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.

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 18). 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) was recognised as a current liability on the statement of financial position 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 £5,000 (2016: £35,000).

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 included 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.

Operating Leases

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 2017.

The IASB issued amendments to four standards under Annual improvement 2012-2014 cycle together with amendments to IAS 1. These amendments had an effective date after the date of 1 January 2016 and have been applied by the Group. Theses did not have a material impact on the Company's financial statements in the period of initial application.

Standards Issued by not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

1. Accounting policies continued

IFRS 15 Revenue from Contracts with Customers

FRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Group will perform a preliminary assessment of IFRS 15 using the clarifications issued by the IASB in April 2016 and will monitor any further developments.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of TransactionsInvolving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

In 2018, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

2. Segmental information

Historically the Group has been organised into Services and Solutions. In light of the potential transaction of the Video business the directors believe that providing segment analysis that shows the Video Business as a separate segment to the Thruvision business would aid readers of the Annual Report. Combined, the Video Business and Thruvision make up the previously reported Solutions segment.

Until the disposal of the segment, the Group’s Services Division was predominantly focused on the UK market and integrated third party technology and own product into UK Services customers. The Services Division was no longer strategic to the Group, and therefore signed an agreement for the disposal of the business on 1 April 2016. Full details are provided in note 26.

The Group’s ‘Video Business’ Division is focused on the advanced surveillance market. This covers image and data capture (for example, 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.

The Group’s Thruvision Division is focused on the stand-off passive body scanning technology.

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 and supplemented this with additional analysis to assist readers of the Annual Report better understand the impact of the proposed divestment. 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.

Central overheads, which primarily relate to operations of the Group function, are not allocated to the business units. Group financing (including finance costs and finance income) 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.

2. Segmental information continued

	Services	Solutions			Central	
	Services (discontinued) 2017 £'000	**Video Business (continuing) 2017 £'000**	**Thruvision (continuing) 2017 £'000**	**Total Solutions (continuing)**	**Central (continuing) 2017 £'000**	**Total 2017 £'000**
Total segment revenue	**243**	**24,480**	**2,025**	**26,505**	**–**	**26,748**
Inter-segment revenue	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Revenue	**243**	**24,480**	**2,024**	**26,504**	**–**	**26,747**
Depreciation	**–**	**385**	**96**	**481**	**–**	**481**
Segment adjusted operating loss	**(207)**	**(7,333)**	**(106)**	**(7,439)**	**(3,590)**	**(11,236)**
Amortisation of intangibles initially recognised on acquisition	**–**	**(1,411)**	**(98)**	**(1,509)**	**–**	**(1,509)**
Share based payment charge	**–**	**–**	**–**	**–**	**(424)**	**(424)**
Acquisition related income/(costs) and exceptional write off of bad debt	**–**	**–**	**–**	**–**	**627**	**627**
Impairment of goodwill and intangibles	**–**	**(7,500)**	**–**	**(7,500)**	**–**	**(7,500)**
Release of deferred consideration	**–**	**–**	**–**	**–**	**2,329**	**2,329**
Segment operating loss	**(207)**	**(16,244)**	**(204)**	**(16,448)**	**(1,058)**	**(17,713)**
Loss attributable to discontinued operations						**207**
Segment operating loss from continuing operations						**(17,506)**
Finance income						**1,872**
Finance costs						**(1,081)**
Loss before tax from continuing operations						**(16,715)**
Income tax credit						**242**
Loss for the year from continuing operations						**(16,473)**

	Services	Solutions			Central	
	Services (discontinued) 2016 £'000	Video Business (continuing) 2016 £'000	Thruvision (continuing) 2016 £'000	Total Solutions (continuing)	Central (continuing) 2016 £'000	Total 2016 £'000
Total segment revenue	3,777	18,778	2,649	21,427	–	25,204
Inter-segment revenue	–	(291)	–	(291)	–	(291)
Revenue	3,777	18,487	2,649	21,136	–	24,913
Depreciation	66	256	93	349	–	415
Segment adjusted operating loss	(565)	(1,152)	(98)	(1,250)	(3,621)	(5,436)
Amortisation of intangibles initially recognised on acquisition	(120)	(1,215)	(105)	(1,320)	–	(1,440)
Share based payment charge	–	–	–	–	(792)	(792)
Acquisition related income/(costs) and exceptional write off of bad debt	–	–	–	–	(1,718)	(1,718)
Impairment of goodwill and intangibles	(528)	–	–	–	–	(528)
Release of deferred consideration	(3,619)	–	–	–	–	(3,619)
Segment operating loss	(4,832)	(2,367)	(203)	(2,570)	(6,131)	(13,533)
Loss attributable to discontinued operations						4,832
Segment operating loss from continuing operations						(8,701)
Finance income						227
Finance costs						(32)
Loss before tax from continuing operations						(8,506)
Income tax credit						716
Loss for the year from continuing operations						(7,790)

2. Segmental information continued

Analysis of revenue by customer

There have been two (2016: three) individually material customers in the Video Business operating segment during the year. These customers individually represented £6,481,000 and £3,638,000 of Group turnover for the year (2016: £2,763,000, £2,628,000 and £2,200,000).

There has been one (2016: none) individually material customers in the Thruvision operating segment during the year representing £1,000,646.

There were no (2016: no) material customers in the Services operating segment during the year.

Other segment information

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

	2017 £'000	2016 £'000
United Kingdom	**2,378**	3,108
United States of America	**18,232**	5,340
Indonesia	**1,210**	3,996
Malaysia	**19**	2,962
Rest of World	**4,665**	5,730
	26,504	21,136

The Group's non-current assets by geography are detailed below:

	2017 £'000	2016 £'000
United Kingdom	**8,945**	16,126
United States of America	**20,643**	19,422
	29,588	35,548

3. Group operating loss

The Group operating loss attributable to continuing operations is stated after charging/(crediting):

	2017 £'000	2016 £'000
Operating lease rentals – land and buildings	**832**	597
Research and development costs	**3,163**	3,019
Release of deferred consideration	**(2,329)**	–
Bad debt expense	**1,936**	–
Depreciation of property, plant and equipment	**481**	349
Amortisation of intangible assets initially recognised on acquisition	**1,509**	1,320
Amortisation of other intangibles	**79**	90
Travel and subsistence	**1,582**	1,336
Impairment of goodwill	**7,500**	–
Exchange differences	**(537)**	(216)

3. Group operating loss continued

Auditors' remuneration

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

	2017 £'000	2016 £'000
Audit services		
Fees payable to the Company's auditor for the audit of the financial statements	**120**	133
The audit of the Company's subsidiaries	**20**	35
	140	168
Non-audit services		
Fees payable to the Company's auditor for audit related assurance services	**18**	18
Tax compliance services	**33**	32
Tax advisory services	**7**	42
Other assurance services	**–**	60
	58	152

Fees relate to all activities undertaken by Ernst & Young LLP in the period, covering continuing and discontinued operations.

4. Adjusted loss before tax

An adjusted loss before tax measure has been presented as the Directors believe that this is a better 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:

	2017 £'000	2016 £'000
Amortisation of intangibles initially recognised on acquisition	**1,509**	1,320
Share based payment [(i)]	**424**	792
Financing set up costs [(ii)]	**421**	–
Acquisition related (income)/costs and exceptional write off of bad debt [(iii)]	**(627)**	1,718
Release of deferred consideration [(iv)]	**(2,329)**	–
Impairment of goodwill (note 11) [(v)]	**7,500**	–
Total adjustments	**(6,898)**	3,830

(i) The performance condition associated with LTIP awards made from July 2015 are subject to a non-market based performance measure. Accordingly, should these LTIP awards fail to vest, the share based payment charge will be added back to the income statement. Historic LTIP awards have been made with a market based performance measure which in the event that LTIPs fail to vest the share based payment charge is not added back to the income statement. To date the majority of historic LTIP awards have failed to vest. The inclusion provides consistency over time allowing a better understanding of the financial position of the Group.

(ii) During the year end 31 March 2017 the Group obtained a new facility, incurring legal and set up fees.

(iii) During the year ended 31 March 2016 the Group acquired 100% of the share capital of Brimtek Inc. Costs in relation to the acquisition totalled £1.7 million. Included within these costs is £0.5 million in relation to an amount due from Brimtek to Digital Barriers which was fully provided for immediately prior to the acquisition of Brimtek. Acquisition costs remained largely unpaid as at 31 March 2016. During the year ended 31 March 2017 £0.6 million of these acquisition costs were released to the income statement as they were no longer due. This release was recorded within other income.

(iv) During the year the deferred consideration held in relation to the Brimtek Inc. acquisition was released. The release is recorded within other income. The carrying value of the deferred consideration is now £nil, and is disclosed in note 19.

(v) During the year ended 31 March 2017 a £7.5 million non-cash impairment charge has been recorded against the carrying value of goodwill within the Video Business segment and has been separately disclosed within Other Costs in the Consolidated Income Statement. This impairment reflects the reduction in the forecasted recoverable amounts of the cash-generating units as a result of the unpredictable and extended sales cycles. Further detail is given in note 11.

5. Employees

	At 31 March 2017	At 31 March 2016
Continuing operations	**164**	157
Discontinued operations	**–**	32
	164	189

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

	Average 2017	At 31 March 2017	Average 2016	At 31 March 2016
Directors	**6**	**6**	6	6
Business units	**134**	**129**	142	153
Corporate	**30**	**29**	29	30
	170	**164**	177	189

The employee benefit expense for the period of these employees amounted to:

	2017 £'000	2016 £'000
Salaries and short-term employee benefits	**11,056**	9,424
Social security costs	**1,306**	1,209
Pension costs	**193**	205
Share-based payment charge (note 18)	**424**	792
	12,979	11,630

Employee numbers and employee benefit expense disclosures include continuing and discontinued operations.

6. Finance income

	2017 £'000	2016 £'000
Bank interest receivable	**10**	34
Foreign exchange gain on intercompany loan	**1,862**	–
Gain on forward contract measured at fair value through income statement	**–**	193
	1,872	227

7. Finance costs

	2017 £'000	2016 £'000
Bank interest payable	**8**	2
Finance set up fees	**421**	–
Finance fees	**176**	–
Loss on forward contract measured at fair value through income statement	**476**	–
Foreign exchange loss on intercompany loan	**–**	30
	1,081	32

8. Taxation

	2017 £'000	2016 £'000
Current tax		
Corporation tax	**(580)**	(465)
Adjustment in respect of prior year	**(191)**	(186)
Overseas tax	**(35)**	(6)
	(806)	(657)
Deferred tax		
Origination and reversal of temporary differences	**564**	(59)
Adjustment in respect of prior year	**–**	–
Change in tax rate	**–**	–
	564	(59)
Total tax credit for the year	**(242)**	(716)

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

	2017 £'000	2016 £'000
Loss before tax	**(16,715)**	(8,506)
Tax at the UK corporation tax rate of 20% (2016: 20%)	**(3,343)**	(1,701)
Tax effects of:		
Prior year adjustments	**(191)**	(186)
Expenses not deductible for tax purposes	**41**	32
Deferred tax movements on amortisation of acquired intangible assets	**63**	152
Unrecognised deferred tax movements on depreciation in excess of capital allowances	**55**	64
Unrecognised deferred tax movements on share-based payments	**85**	158
Non-deductible impairment of goodwill	**1,500**	–
Unrecognised deferred tax movements on unrelieved tax losses carried forward net of losses used against deferred tax liabilities	**1,561**	955
Difference in foreign tax rate	**261**	32
Impact on research and development credits	**(270)**	(222)
Impact of rate change on deferred tax	**(4)**	–
Total tax credit for the period	**(242)**	(716)

Deferred taxation

Deferred tax included in the income statement is as follows:

	2017 £'000	2016 £'000
Other intangibles	**564**	(59)

Deferred tax included in the statement of financial position is as follows:

	2017 £'000	2016 £'000
At beginning of the year	**(57)**	(116)
Prior year adjustments	**1**	–
Origination and reversal of temporary differences	**(564)**	59
Change in tax rate	**–**	–
At end of the year	**(620)**	(57)

The deferred tax amount of £620,000 (2016: £57,000) represents £767,000 (2016: £217,000) relating to acquired intangible assets less an offset of £147,000 (2016: £160,000) relating to tax losses.

8. Taxation continued

Unrecognised deferred tax assets

	2017 £'000	2016 £'000
Tax losses	**9,285**	10,964

Unrelieved tax losses amount to approximately £56.7 million (2016: £55.5 million), which are available indefinitely for offset against future taxable trading profits. A deferred tax asset has not been recognised on £56.2 million (2016: £55.3 million) of these losses on the basis that there is insufficient evidence that this asset will be recoverable as at the statement of financial position's date. An asset will only be recognised with improved certainty and quantification of taxable profits.

9. Loss per share

Unadjusted loss per share

	Loss after taxation 2017 £'000	Weighted average number of shares 2017 No.	Loss per share 2017 Pence	Loss after taxation 2016 £'000	Weighted average number of shares 2016 No.	Loss per share 2016 Pence
Basic loss per share – continuing operations	**(16,473)**	**165,120,640**	**(9.98)**	(7,790)	105,052,916	(7.42)
Diluted loss per share – continuing operations	**(16,473)**	**165,120,640**	**(9.98)**	(7,790)	105,052,916	(7.42)
Basic loss per share – continuing and discontinued operations	**(16,680)**	**165,120,640**	**(10.10)**	(12,622)	105,052,916	(12.01)
Diluted loss per share – continuing and discontinued operations	**(16,680)**	**165,120,640**	**(10.10)**	(12,622)	105,052,916	(12.01)

Adjusted loss per share

	Loss after taxation 2017 £'000	Weighted average number of shares 2017 No.	Loss per share 2017 Pence	Loss after taxation 2016 £'000	Weighted average number of shares 2016 No.	Loss per share 2016 Pence
Loss from continuing operations attributable to ordinary shareholders	**(16,473)**	**165,120,640**	**(9.98)**	(7,790)	105,052,916	(7.42)
Add back:						
Amortisation of acquired intangible assets, net of tax	**1,107**	**–**	**0.67**	1,264	–	1.20
Share based payment charge	**424**	**–**	**0.26**	792	–	0.75
Acquisition related (income)/costs and exceptional write off of bad debt	**(627)**	**–**	**(0.38)**	1,718	–	1.64
Release of deferred consideration	**(2,329)**	**–**	**(1.41)**	–	–	–
Financing set up fees	**421**	**–**	**0.25**	–	–	–
Impairment of goodwill	**7,500**	**–**	**4.54**	–	–	–
Basic adjusted loss per share	**(9,977)**	**165,120,640**	**(6.04)**	(4,016)	105,052,916	(3.82)
Diluted adjusted loss per share	**(9,977)**	**165,120,640**	**(6.04)**	(4,016)	105,052,916	(3.82)

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. Ordinary Shares would have been issued in respect of the Incentive Share conversion. Full details of 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.

10. Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Computers, ancillary equipment and electronic test equipment £'000	Vehicles £'000	Demonstration stock and Plant & Equipment £'000	Total £'000
Cost						
At 31 March 2015	508	148	397	6	1,457	2,516
Additions	52	4	128	–	191	375
On acquisition	26	31	7	36	102	202
Retirements	–	(5)	(45)	–	(89)	(139)
Reclassifications	(68)	374	(83)	10	122	355
Exchange movements	1	–	6	–	(4)	3
At 31 March 2016	519	552	410	52	1,779	3,312
Additions	242	16	223	–	279	760
Retirements	(7)	–	(6)	(6)	(1)	(20)
Exchange movements	9	6	8	5	14	42
At 31 March 2017	**763**	**574**	**635**	**51**	**2,071**	**4,094**
Accumulated depreciation						
At 31 March 2015	175	139	306	3	1,210	1,833
Charge for the year	96	75	66	2	176	415
Retirements	–	(5)	(45)	–	(89)	(139)
Impairment of assets	–	2	5	–	8	15
Reclassification	5	242	(64)	12	160	355
Exchange movements	1	–	5	–	(1)	5
At 31 March 2016	277	453	273	17	1,464	2,484
Charge for the year	119	58	101	10	193	481
Retirements	(3)	–	(5)	(6)	(1)	(15)
Exchange movements	3	1	7	–	1	12
At 31 March 2017	**396**	**512**	**376**	**21**	**1,657**	**2,962**
Net book value						
At 31 March 2017	**367**	**62**	**259**	**30**	**414**	**1,132**
At 31 March 2016	242	99	137	35	315	828

11. Goodwill

	Goodwill £'000
At 31 March 2015	18,186
Acquisition of Brimtek	8,309
Impairment of goodwill associated with Services division	(3,582)
Exchange movements	410
At 31 March 2016	23,323
Adjustment to acquisition of Brimtek value	(288)
Impairment of goodwill associated with Video Business division	(7,500)
Exchange movements	1,541
At 31 March 2017	**17,076**

11. **Goodwill** continued

Carrying amount of goodwill allocated to operating segments

	2017 £'000	2016 £'000
Video Business	**17,076**	23,323
Thruvision	**–**	–
	17,076	23,323

Historically the Group has been organised into Services and Solutions. In light of the proposed divestment of the Video business the directors believe that providing segment analysis that shows the Video Business as a separate segment to the Thruvision business would aid readers of the Annual Report. Combined, the Video Business and Thruvision make up the previously reported Solutions segment. Consequently goodwill acquired through business combinations has been allocated for impairment testing purposes. These segments are deemed to be the two cash-generating units ('CGUs') for impairment testing. The Group conducts annual impairment tests on the carrying value of the CGUs in the statement of financial position. 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 re-performed if an impairment triggering event occurs in the intervening period. As a result of the proposed divestment the impairment review conducted at the annual testing date has been revisited to ensure the outcome remains appropriate.

Value in use calculations are used to determine the recoverable amount of the cash-generating units. The key assumptions for the value in use calculations include the forecast revenue growth of the CGU, cost allocations, the discount rate applied and the long-term growth rate of the net operating cash flows, along with the gross margin for sales. In determining the key assumptions, management have taken into consideration the nature of the markets in which it operates, expected growth of the markets in which it operates, the ability of the CGU to exploit those opportunities and 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 the cash-generating unit based on the most recent three-year detailed financial forecasts. The table below sets out the key assumptions included in these forecasts:

	Video Business	
	2017	2016
Revenue growth compound from FY17 to FY20 (years one to three)(1)	**25%**	40%
Revenue growth from FY20 onwards (year four onwards)(2)	**2.0%**	2.5%
Gross margin improvement compound from FY17 to FY20 (years one to three)(3)	**6%**	1%
Discount rate(4)	**11.1%**	10.6%

(1) Forecasts are based on an internal assessment of the strength of the CGU in the markets in which it operates with the expected growth reflecting the opportunities in its core strategic markets, sales pipeline and relationships being developed.

(2) Revenue growth of 2.0% (2006: 2.5%) is an external estimate of the UK's long-term growth rate.

(3) Gross margin is forecast to improve against FY17 as the product mix continues to evolve through the next three years to include a greater proportion of software sales together with revenues generated by the legacy Brimtek business (which attract a lower gross margin) forming a decreasing percentage of total revenues.

(4) Discount rate is based on the weighted cost of capital applying to businesses in the same sector, and reflects the current market assessments of the time value of money and of the risks specific to the cash generating units.

An impairment loss of £7.5 million (2016: £nil) arises in the year ended 31 March 2017 for the Video Business based on these base assumptions.

The Directors consider that an absolute change in the key assumptions set out below is reasonably possible.

	Video Business	
	2017	2016
Reduction in forecast revenue growth compound from FY17 to FY20 (years one to three)	**-10%**	-9%
Reduction in forecast revenue growth FY20 onwards (year four onwards)	**-2.5%**	-2.5%
Increase in discount rate (4)	**2.5%**	2.5%

11. Goodwill continued

If these assumptions were to change in isolation, they would result in an increase in the impairment charge of goodwill of between full impairment of goodwill (reduction in revenue forecast) to a £0.2 million impairment (reduction in long term growth rate). In the prior year, if these assumptions were to change in isolation, they would not have resulted in an impairment charge of goodwill. The value in use calculations are most sensitive to changes in assumptions around forecast revenue growth and gross margin improvement. An absolute reduction in the forecast revenue growth of 10% (compound over years one to three) would result in full impairment of goodwill. In the prior year an absolute reduction in the forecast revenue growth of 10% (compound over years one to three) would have resulted in the recoverable amount of Solutions goodwill being equal to the carrying amount (a reduction in the headroom from £17.5 million to £nil). A rise in the discount rate to 13.6% (i.e. +2.5%) would result in a further impairment of £10 millions.

As indicated in the interim results announcement on 11 December 2015, the Board believed that the Services division was no longer strategic to the Group. As a consequence the Board initiated a plan for the potential disposal of the business, and on 1 April 2016 the Board signed an agreement for the proposed disposal of the business for nominal consideration. Consequently the recoverable amount of the Services CGU in year ended 31 March 2016 was based on fair value less costs of disposal, being the sales price of £1. As a result the carrying value of the goodwill attributable to the Services segment was reduced to £nil in the year ended 31 March 2016 and an impairment charge £3,582,000 was been included in the loss attributable to discontinued operations for the year then ended.

12. Other intangible assets

	Patents and Trademarks £'000	Intellectual property & Software £'000	Order backlog £'000	Customer relationships £'000	Total £'000
Cost					
At 31 March 2015	218	6,072	663	5,253	12,206
Purchased	–	12	–	–	12
On acquisition	143	5	287	10,755	11,190
Retirement	–	(262)	–	(1,975)	(2,237)
Exchange movements	(6)	–	(8)	(316)	(330)
At 31 March 2016	355	5,827	942	13,717	20,841
Purchased	–	32	–	–	32
Exchange movements	21	6	43	1,605	1,675
At 31 March 2017	**376**	**5,865**	**985**	**15,322**	**22,548**
Accumulated amortisation					
At 31 March 2015	98	4,622	617	4,777	10,114
Charge for the year	36	842	139	513	1,530
Retirement	–	(262)	–	(1,975)	(2,237)
Impairment of assets	–	37	–	–	37
At 31 March 2016	134	5,239	756	3,315	9,444
Charge for the year	71	366	181	970	1,588
Exchange movements	3	6	47	80	136
At 31 March 2017	**208**	**5,611**	**984**	**4,365**	**11,168**
Net book value					
At 31 March 2017	**168**	**254**	**1**	**10,957**	**11,380**
At 31 March 2016	221	588	186	10,402	11,397

12. Other intangible assets continued

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 2017 £'000	**Remaining useful life Years 2017**	Carrying value 2016 £'000	Remaining useful life Years 2016
Brimtek customer relationships	**10,957**	**10.9**	10,367	11.9
Brimtek trademark	**117**	**2.9**	136	3.9
Brimtek order backlog	**–**	**–**	186	0.2
Keeneo intellectual property	**121**	**3.0**	162	4.0
Zimiti intellectual property	**–**	**–**	54	0.2
Thruvision intellectual property	**–**	**–**	95	0.9
Omniperception intellectual property	**95**	**0.8**	222	1.8

13. Inventories

	2017 £'000	2016 £'000
Raw materials	**685**	1,102
Work in progress	**327**	61
Finished goods and goods for resale	**7,006**	3,743
	8,018	4,906

The movement on stock provision during the year is set out below.

	2017 £'000	2016 £'000
Opening provision	**655**	440
Released	**(64)**	–
Increase to provision (charged to cost of sales during year)	**1,050**	215
Closing provision	**1,641**	655

14. Trade and other receivables

	Gross carrying amounts 2017 £'000	**Provision for impairment 2017 £'000**	**Net carrying amounts 2017 £'000**	Gross carrying amounts 2016 £'000	Provision for impairment 2016 £'000	Net carrying amounts 2016 £'000
Trade receivables	**6,388**	**(376)**	**6,012**	11,814	(431)	11,383
Prepayments	**616**	**–**	**616**	780	–	780
Accrued income	**168**	**–**	**168**	339	–	339
Social security and other taxes	**718**	**–**	**718**	581	–	581
Other receivables	**142**	**–**	**142**	156	–	156
	8,032	**(376)**	**7,656**	13,670	(431)	13,239

The Group's credit risk on trade and other receivables is primarily attributable to trade receivables and amounts recoverable on contracts. Two customer represents £2,382,000 (2016: one customer £2,648,000) of the Group's trade receivables at 31 March 2017. 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:

	2017 £'000	2016 £'000
Government customers	**2,491**	3,745
Commercial customers	**3,521**	7,638
	6,012	11,383

14. Trade and other receivables continued

Trade receivables of £2,704,000 (2016: £2,410,000) were past due but not impaired; trade receivables of £2,560,000 (2016: £64,000) are past due and stated after reflecting a partial impairment. 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 2015	1,208
Provided in period	128
Utilised	(767)
Released	(178)
Foreign exchange	40
At 31 March 2016	431
Provided in period	150
Utilised	(51)
Released	(158)
Foreign exchange	4
At 31 March 2017	**376**

Trade receivables, net of an allowance of £376,000 (2016: £431,000) for doubtful debts, are aged as follows:

	2017 £'000	2016 £'000
Not due	**3,308**	8,909
Not more than three months past due	**617**	693
More than three months but not more than six months past due	**-**	150
More than six months past due	**2,087**	1,631
	6,012	11,383

The Group experiences credit risk which reflects its early stage of development into international markets with challenging political landscapes and sometimes protracted payment cycles. This is reflected in the provision for doubtful debts and ageing analysis and the fact that the Group had an extended debtor in Asia Pacific, where a delayed project implementation has resulted in the likely replacement of the local partner by the contracting government agency. Whilst legally contracted, fulfilled and invoiced, and government agency confirmation of their intent to continue the project and implement the Group's technology the Group has elected to write down the overdue debtor. The net impact on the income statement was £1.9 million in the year ended 31 March 2017.

15. Trade and other payables

	2017 £'000	2016 £'000
Current		
Trade payables	**5,115**	4,833
Accruals	**1,735**	2,737
Deferred income	**349**	774
Social security and other taxes	**359**	441
Other payables	**350**	341
	7,908	9,126

On 17th October 2016 the Group replaced an existing £5.0 million secured working capital facility for export activities with a new two year £10.0 million secured revolving credit facility with Investec Bank plc. The funds available through this facility will be used to meet the increasing working capital requirements of the Group's organic growth. The facility is secured by a fixed and floating charge over the Group's assets and includes covenants which are tested quarterly. The facility was not being utilised at 31 March 2017, but at time of approval of the financial statements is drawn to the extent of £6,094,000 with a net debt position of £4,167,000. No banking covenants have been breached at the time of approval of the Annual Report and waivers to covenants tests have been agreed with Investec during the testing period to date. In addition to this secured facility, on 28 September 2017 the Group has arranged an unsecured £5.25 million loan facility with Herald Investment Trust to supplement the above facility for a period of 15 months, which has not been drawn on.

16. Financial liabilities

	2017 £'000	2016 £'000
Current		
Incentive shares	–	54
Deferred consideration	–	1,043
	–	1,097
Non-current		
Deferred consideration	–	975

No (2016: no) incentive shares were converted into Ordinary Shares (2016: nil), but 108,749 were converted into deferred shares. Further details on the incentive shares are provided in note 18.

The deferred consideration has been fully released as shown in note 19b. In addition, in June 2017 Digital Barriers reached early finalisation terms with the vendors of Brimtek Inc. The terms of the finalisation involved a release of $1.45 million from the escrow account back to Digital Barriers and no deferred consideration to be paid.

17. Share capital

	Number	£'000
Authorised, allotted, called-up and fully paid		
Ordinary Shares of 1 pence each		
At 31 March 2015	84,489,481	845
Shares issued in the year	80,616,758	806
At 31 March 2016	165,106,239	1,651
Shares issued in the year	23,785	–
At 31 March 2017	**165,130,024**	**1,651**

	Number	£'000
Authorised, allotted, called-up and fully paid		
Incentive Shares of £1 each		
At 31 March 2016	54,375	54
At 31 March 2017	**–**	**–**
Authorised, allotted, called-up and fully paid		
Deferred Shares of £1 each		
At 31 March 2016	108,749	109
At 31 March 2017	**163,124**	**163**

On 5 January 2015 19,864,865 Ordinary Shares were issued at 37 pence per share for a total cash consideration of £7,350,000. On 30 December 2015 80,571,429 Ordinary Shares were issued at 35 pence per share for a total consideration of £28,200,000, primarily funds to be used by the group to purchase the share capital of Brimtek Inc.

In July 2016, 23,785 shares were issued in the year (2015: 45,329 Ordinary Shares) for nil consideration to certain employees as a bonus payment.

Of the 163,124 incentive shares outstanding as at 31 March 2015, none converted into Ordinary Shares. Initial provision had not been made in the Articles for the circumstance whereby Incentive Shares were valued at nil and did not convert into Ordinary Shares on the conversion date. On 21 September 2015, a new class of Deferred share in lieu of Incentive shares was created so that Incentive Shares which did not convert to Ordinary Shares on the relevant conversion date converted into Deferred Shares with very limited rights and value. Accordingly, 108,749 shares were converted into deferred shares of £1 each on 21 September 2015, with a further 54,375 shares on 15 February 2017.

Further details are set out in note 18.

18. 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.

All awards made under the LTIP prior to 31 March 2015 are subject to performance and service conditions including market conditions, which are set out in the Remuneration report on page 35. 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 statement of financial position's 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.

All awards made under the LTIP after 31 March 2015 are subject to service conditions and performance conditions that relate to revenue (with a profit related underpin) over the subsequent 3 year period. The total amount to be expensed over the vesting period of the awards is determined by reference to the fair value at the date on which the awards or options are granted and the number of awards that are expected to vest. The fair value is determined using the Black-Scholes 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 statement of financial position's 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.

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.

Sharesave Scheme

The Group have in place a Digital Barriers Sharesave Scheme, which allows eligible employees to use regular savings to purchase shares. Options are granted at a discount of 20% of the market value of the shares. No financial performance criteria are attached to these options and they vest three years from the date of grant with an exercise period of six months. There are no cash settlement alternatives. The fair value is determined using the Black-Scholes model.

18. Employee share schemes continued

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

	HMRC Approved Options		Parallel Options	
	Number of options	Weighted average exercise price £	Number of options*	Weighted average exercise price £
Outstanding at 31 March 2015	571,442	1.436	571,442	nil
Granted	964,469	0.37	964,469	nil
Exercised	(33,511)	(1.560)	(33,511)	nil
Forfeited	(213,077)	1.566	(213,077)	nil
Outstanding at 31 March 2016	1,289,323	0.614	1,289,323	nil
Granted	344,214	0.48	344,214	nil
Exercised	–	–	–	–
Forfeited	(242,454)	0.829	(242,454)	nil
Outstanding at 31 March 2017	**1,391,083**	**1.484**	**1,391,083**	**nil**
Exercisable at 31 March 2016	13,353	1.56	13,353	nil
Exercisable at 31 March 2017	**13,353**	**1.56**	**13,353**	**nil**
For the year ended 31 March 2017:				
Range of exercise prices	£0.365 – £1.85		nil	
Weighted average remaining contractual life	8.32 years		8.32 years	
For the period ended 31 March 2016:				
Range of exercise prices	£0.365 – £1.85		nil	
Weighted average remaining contractual life	8.91 years		8.91 years	

	Top-Up Awards		Sharesave Scheme	
	Number of options*	Weighted average exercise price £	Number of awards	Weighted average exercise price £
Outstanding at 31 March 2015	2,200,422	nil	557,033	0.96
Granted	3,315,531	nil	–	–
Exercised	(11,818)	–	–	–
Forfeited	(575,047)	nil	(109,348)	0.96
Outstanding at 31 March 2016	**4,929,088**	**nil**	**447,685**	**0.96**
Granted	1,493,286	nil	1,717,853	0.31
Exercised	–	–	–	–
Forfeited	(1,308,309)	nil	(471,026)	0.96
Outstanding at 31 March 2017	**5,114,065**	**nil**	**1,694,512**	**0.31**
Exercisable at 31 March 2016	11,818	nil	–	–
Exercisable at 31 March 2017	**11,818**	**nil**	**–**	**–**
For the year ended 31 March 2017:				
Range of exercise prices	nil		£0.31	
Weighted average remaining contractual life	8.31 years		2.83 years	
For the period ended 31 March 2016:				
Range of exercise prices	nil		£0.96	
Weighted average remaining contractual life	8.83 years		1.75 years	

i) share price at the date of exercise was £1.560

* 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.

18. 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 2 July 2015	Parallel Options 2 July 2015	Top-Up awards 2 July 2015	Top-Up awards 8 August 2015	HMRC Approved Options 23 Dec 2015	Parallel Options 23 Dec 2015	Top-Up awards 23 Dec 2015
Number granted	914,469	914,469	3,090,531	150,000	50,000	50,000	75,000
Fair value per option/ award	£0.119	£0.249	£0.368	£0.425	£0.184	£0.271	£0.455
Share price on date of grant	£0.368	£0.368	£0.368	£0.425	£0.455	£0.455	£0.455
Exercise price	£0.365	Nil	Nil	Nil	£0.455	Nil	Nil
Vesting period (years)	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Volatility	46.3%	46.3%	46.3%	46.7%	47.3%	47.3%	47.3%
Risk-free rate of return	0.84%	0.84%	0.84%	0.77%	0.85%	0.85%	0.85%
Expected life (years)	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Expected dividend yield	nil	nil	nil	nil	nil	nil	nil

	HMRC Approved Options 28 July 2016	Parallel Options 28 July 2016	Top-Up awards 28 July 2016	Sharesave Options 29 July 2016
Number granted	344,214	344,214	1,798,286	1,717,853
Fair value per option/award	£0.16	£0.32	£0.48	£0.22
Share price on date of grant	£0.48	£0.48	£0.48	£0.47
Exercise price	£0.48	nil	nil	£0.31
Vesting period (years)	3.0	3.0	3.0	3.0
Volatility	48.04%	48.04%	48.04%	46.4%
Risk-free rate of return	0.05%	0.05%	0.05%	0.06%
Expected life (years)	3.0	3.0	3.0	3.25
Expected dividend yield	nil	nil	nil	nil

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

A charge of £419,000 (2016: £757,000) has been made in the income statement to spread the fair value of the awards over the three year service obligations of these incentives. It is expected that 4,082,500 awards made under the LTIP to Video Business employees would lapse following the proposed transaction of the Video Business.

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 2017 the Trust did not hold any shares in the Company (2016: nil).

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 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.

18. Employee share schemes continued

The fair value was determined using a Stochastic model. The fair value of the Incentive Shares was recognised as a current liability on the statement of financial position 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. The total incremental fair value chargeable over the period to June 2016 is £246,000. This resulted in a charge to the Consolidated Income Statement in the year of £5,000 (2016: £35,000).

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	**June 2017**
Share price volatility	26.9%	25.4%	26.2%	26.9%	48.04%
Risk free rate of return	0.33%	0.32%	0.39%	0.53%	0.05%
RPI	3.1%	2.7%	2.5%	2.9%	3.5%

Conversion

In accordance with the provisions relating to the Incentive Shares contained in the Articles of Association, no Ordinary Shares were due in respect of the Incentive Share conversion in the year ended 31 March 2017 (vesting period 8 June 2015 to 6 September 2015).

Provision had not been made in the Articles for the circumstance whereby Incentive Shares did not convert into Ordinary Shares on the conversion date. Accordingly a resolution was passed so that Incentive Shares which did not convert to Ordinary Shares on the relevant conversion date convert to Deferred Shares with limited rights.

The Incentive Shares will immediately vest on change of control following a takeover bid.

19. Business combinations

a) Business combinations in the year ended 31 March 2016

On 1 March 2016, the Group acquired 100% of the issued share capital of Brimtek Inc, a provider of state-of-the-art technical surveillance solutions to the US defence, homeland security, federal law enforcement and intelligence communities. Brimtek offers an end-to-end capability for its clients, from concept design to engineering, manufacturing, integration, delivery, training and ongoing solution support. These capabilities, together with Brimtek's substantial US presence and breadth of product offerings, provide the Group with a consolidated, US-focused platform for growth in this critical market, together with the opportunity for significant sales synergies with Digital Barriers in the US market.

19. Business combinations continued

Purchase consideration

The purchase consideration for the acquisition was as follows:

	Brimtek £'000
Cash consideration	17,443
Discounted fair value of deferred consideration	2,080
Initial consideration	19,523
Reduction in cash consideration	(288)
Total consideration	**19,235**

Pre-tax cost of debt	5.05%
Undiscounted fair value of deferred consideration	2,438

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

The initial cash consideration paid on completion was £17.4 million, and was subsequently reduced by £0.3 million in accordance with the agreement based on the initial fair value of assets and liabilities in the books of Brimtek at acquisition. Deferred consideration of up to $20 million is payable over the period to 31 December 2017, subject to revenue and gross margin targets. The deferred consideration can be settled in cash, or a mixture of cash and shares, with up to 95% of the deferred consideration capable of being settled in shares at the discretion of Digital Barriers. Up to $10 million of the deferred consideration is based on revenue and gross margin targets for the year ended 31 December 2016 and a further $10 million on the year ended 31 December 2017. Both revenue and gross margin targets have a threshold at which the deferred consideration starts to accrue, and targets at which the full deferred consideration is earned. If the deferred consideration for the year ended 31 December 2016 is not earned in full, then up to $5 million can be carried forward to the following period and payable based on overachievement of the revenue and gross margin targets for that period

The fair value of deferred consideration at the acquisition date was estimated at £2.1 million (discounted). This was estimated based on a weighted average probability calculation, with probability distributions applied to various revenue and gross margin ranges. The deferred consideration payable was sensitive to movements in the revenue and gross margin outcomes versus target. No deferred consideration is payable at threshold revenue targets or threshold gross margin targets. A $5 million increase in the revenue earned in the year ended 31 December 2016 compared to the threshold target (at full target gross margin) would result in a $2.5 million increase in the deferred consideration due. Significant increases in the revenue and gross margins of Brimtek Inc would result in higher fair value of the deferred consideration liability.

Total acquisition costs of £1.7 million were initially incurred (reduced by £627,000 following subsequent recovery of fees) and recorded within the administration costs line in the income statement. This includes £0.5 million in relation to an amount due from Brimtek to Digital Barriers which was fully provided for immediately prior to the acquisition.

Assets and liabilities

The carrying amount and fair value of assets and liabilities in the books of Brimtek at acquisition were as follows:

	Book value at acquisition £'000	Fair value at acquisition £'000	Fair value at acquisition (adjusted) £'000
Property, plant and equipment	202	202	202
Intangible assets	7	11,190	11,190
Trade and other receivables*	1,906	1,906	1,906
Inventories	2,530	2,530	2,530
Debt	(68)	(68)	(68)
Trade and other payables	(4,546)	(4,546)	(4,546)
Total net assets acquired	31	11,214	11,214
Goodwill		8,309	8,021
Purchase consideration		19,523	19,235

* Gross contractual amounts receivable total £1,986,000, with £80,000 not expected to be collected based on best estimate at the date of acquisition.

19. Business combinations continued

Assets and liabilities continued
Given the proximity of the acquisition to the year end, the fair value of assets and liabilities arising from the acquisition at 31 March 2016 were still considered to be provisional as the Group expected to receive further information relevant to the net assets acquired. These figures have now been finalised, and following the receipt of £0.3 million in relation to finalisation of the consideration paid based on the acquired balance sheet, goodwill has been reduced by the same amount. The goodwill is attributable to the value of expected sales synergies through a more substantial US presence with access to flagship US government customers, along with synergies attributable to the Group's operations and the value of the assembled workforce including industry specific knowledge and technical skills. The goodwill recognised is deductible for income tax purposes.

From the date of acquisition to the 31 March 2016, the acquired business contributed £2.9 million revenue, £0.2 million profit before tax and the cash flows arising from the acquisition include £17.4 million initial cash consideration on completion and £0.1 million net debt acquired.

If the acquisition had occurred on 1 April 2015, the Group's pro forma annual revenue and loss before tax for the year ended 31 March 2016 (for continuing operations), based on unaudited management information for the acquired entity, would have been approximately £46 million and £7 million respectively.

b) Movements on deferred consideration

The following movements in the amounts recognised for deferred consideration have taken place:

	£'000
As at 31 March 2015	–
On acquisition of Brimtek	2,080
Exchange movement	(62)
As at 31 March 2016	2,018
Exchange movement	311
Release of deferred consideration	(2,329)
As at 31 March 2017	**–**

The exchange movement on the deferred consideration is a translation reserve movement.

Based on forecasts, the deferred consideration has been fully released at 31 March 2017. In June 2017 Digital Barriers agreed early finalisation terms with the vendors of Brimtek. The terms of the finalisation involved a release of $1.45 million from escrow back to Digital Barriers and no deferred consideration to be paid as explained further in note 25.

20. Financial instruments

Categories of financial assets and liabilities
The Group had the following financial assets and liabilities:

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

	Note	**Amortised cost 2017 £'000**	Amortised cost 2016 £'000
Assets as per statement of financial position			
Trade receivables	14	**6,012**	11,383
Accrued income	14	**168**	339
Other receivables	14	**860**	737
Financial instrument		**–**	193
Cash and cash equivalents*		**1,002**	25,599
		8,042	38,251

20. Financial instruments continued

Categories of financial assets and liabilities continued

	Note	**On demand or less than one year 2017 £'000**	**One to two years 2017 £'000**	**Total 2017 £'000**	On demand or less than one year 2016 £'000	One to two years 2016 £'000	Total 2016 £'000
Liabilities							
Trade payables	15	**5,115**	**–**	**5,115**	4,833	–	4,833
Accruals	15	**1,735**	**–**	**1,735**	2,737	–	2,737
Other payables	15	**350**	**–**	**350**	341	–	341
Bank overdraft*	–	**–**	**–**	**–**	14,763	–	14,763
Incentive shares	16	**–**	**–**	**–**	54	–	54
Deferred consideration	19b	**–**	**–**	**–**	1,043	975	2,018
		7,200	**–**	**7,200**	23,771	975	24,746

* Up to September 2016 a cash pooling arrangement existed across most HSBC Bank Plc bank accounts, cash and overdraft balances held within individual subsidiary companies are reported gross on the statement of financial position in accordance with IAS 32. This is because it was not deemed that these arrangements qualify for net presentation. HSBC Bank Plc had a right to offset these balances.

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.

The Group has no Level 3 financial liability following the release of the deferred consideration (2016: £2.0 million). Please see note 19 and accounting policy for the assumptions used in determining the fair value of deferred consideration. The Group have a Level 2 financial asset of £nil (2016: £0.2 million) of financial swap measured at fair value. The fair values of other financial assets and liabilities, which are short term, are not disclosed as the Directors estimate that the carrying amount of the financial assets and liabilities are not significantly different to their fair value. These financial assets and liabilities are carried at amortised cost.

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. As part of the acquisition of Brimtek, a $10 million swap instrument was entered into to convert GBP into USD at the prevailing rate. Details are provided below. Aside from this, the Group has not undertaken any trading 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 statement of financial position's date is represented by the carrying value of financial assets. Cash investments have been held with two major financial institutions in the year.

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 14.

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 14.

20. 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.

Approximately 74% (2016: 25%) of Group revenue was invoiced in currencies other than Sterling, predominantly USD. To mitigate foreign exchange risk arising from transactions denominated in other currencies, forecast revenues and costs are regularly reviewed to assess any potential currency exposures and whether forward currency contracts should be put in place. Following the acquisition of Brimtek Inc, the Group expects to generate a surplus of USDs. To mitigate foreign currency risk exposure, the ability to increase inventory procurements in USD is regularly reviewed, which provides a natural hedge. In addition, as part of the acquisition of Brimtek a $10.0 million swap instrument was put in place. The swap was entered into to convert GBP into USD at $1.40, and convert USD back to GBP on expiry of the instrument on 1 December 2016 at the same rate when surplus USD balances will be converted back to GBP. Aside from this instrument, there were no material currency contracts entered into during the year (2016: nil).

The Group is also exposed to movements in foreign currency exchange rates in respect of the translation of net assets and income statements of foreign subsidiaries. However this translation risk is not hedged as it is immaterial within the Group and the foreign subsidiaries are regarded as long term investments.

Brimtek Inc was acquired on 2 March 2016, and as a result foreign exchange movements in the period post acquisition would not have had a material impact on the Group's loss for the period.

As part of the acquisition of Brimtek, intercompany loans were established between Digital Barriers Inc. and Digital Barriers Plc which expose the Group to exchange differences on retranslation. A USD weakening / strengthening of 10% would result in a movement in the finance line of £0.6 million charge / £0.7 million credit respectively.

The Group has total cash assets of £1,002,000 (2016: £10,836,000) of which £321,000 (2016: £9,823,000) are Sterling denominated and £681,000 (2016: £1,013,000) are in other currencies, mainly USD and Euro.

Interest rate risk

The Group has £nil financial assets on fixed rate deposits (2016: £6,970,000, 0.25% and 0.45%).

A reasonably possible change in interest rates is 50 basis points. An increase of 50 basis points would give rise to an additional £nil (2016: £54,000) of finance income. A decrease of 50 basis points would give rise to a reduction in finance income of £nil (2016: £54,000).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 12.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows in the long and short term.

On 17th October 2016 the Group replaced an existing £5.25 million secured working capital facility for export activities with a new two year £10.0 million secured revolving credit facility with Investec Bank plc. The funds available through this facility will be used to meet the increasing working capital requirements of the Group's organic growth. The facility is secured by a fixed and floating charge over the Group's assets and includes covenants which are tested quarterly. The facility was not being utilised at 31 March 2017, but at time of approval of the financial statements is drawn to the extent of £6,094,000 with a net debt position of £4,167,000. No banking covenants have been breached at the time of approval of the Annual Report and waivers to covenants tests have been agreed with Investec during the testing period to date. In addition to this secured facility, on 28 September 2017 the Group has arranged an unsecured £5.25 million loan facility with Herald Investment Trust to supplement the above facility for a period of 15 months, which has not been drawn on.

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. The Group reviews the capital structure on a regular basis and considers the cost of capital and the risks and benefits associated with different forms of capital available to the Group. At 31 March 2017, total equity amounted to £38,914,000 (2016: £54,370,000).

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.

21. Obligations under operating leases

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

	Continuing Operations	**Discontinued Operations**		Continuing Operations	Discontinued Operations	
	Land and buildings 2017 £'000	**Other 2017 £'000**	**Total 2017 £'000**	Land and buildings 2016 £'000	Other 2016 £'000	Total 2016 £'000
Future minimum lease payments payable						
Within one year	**691**	**28**	**719**	745	172	917
After one year but not more than five years	**716**	**8**	**724**	1,077	134	1,211
After five years	**–**	**–**	**–**	–	–	–
	1,407	**36**	**1,443**	1,822	306	2,128

The Group has no significant sub-leases or contingent rentals.

22. Provisions

	Other provision £'000	Onerous lease provision £'000	Total £'000
At 31 March 2015	–	162	162
Utilisation	–	(28)	(28)
Charged to income statement	20	–	20
At 31 March 2016	20	134	154
Utilisation	–	(28)	(28)
Charged to income statement	–	–	–
At 31 March 2017	**20**	**106**	**126**
Current	**7**	**29**	**36**
Non current	**13**	**77**	**90**

A provision was recognised in relation to lease rentals on vacant properties in the year ended 31 March 2014. The £77,000 (2016: £106,000) non current provision relates to a lease that expires in 2020.

The Other provision, consists of a dilapidations provision of £13,000 (2016: £13,000) in relation to the lease of the Singapore office (the lease is due to expire in 2017) and a legal provision of £7,000 (2016: £7,000) in respect of a dispute in France.

23. Commitments

There are no capital commitments at 31 March 2017 (2016: nil).

The Group has provided guarantees to 2 (2016: 2) third party customers in relation to the performance and delivery of contracts. No liability is expected to arise as a result of these commitments.

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'.

	2017 £'000	2016 £'000
Directors' remuneration	**983**	903
Pension contributions	**5**	2
Gain on vesting of Incentive Shares	**–**	–
	988	905

24. Related party transactions continued

The highest paid Director received £334,000 (2016: £311,000) in the year, with £3,000 in pensions contributions (2016: £nil). Key management compensation comprises short-term employee benefits (including national insurance) of £1,119,000 (2016: £1,028,000), pension contributions of £5,000 (2016: £2,000) and share-based payments of £99,000 (2016: £179,000).

The Directors acquired shares in the year as detailed below:

	2017 £'000	2016 £'000
Tom Black	**–**	4,534,464
Zak Doffman	**–**	–
Colin Evans	**–**	800,000
Sharon Cooper	**–**	28,571
Paul Taylor	**–**	42,857
Bernie Waldron	**–**	–

All shares were subscribed at the time of the share placing described in Note 17.

The following deferred shares were issued to Directors.

	2017 £'000	2016 £'000
Tom Black	**27,817**	54,375
Zak Doffman	**13,594**	27,187
Colin Evans	**13,594**	27,187
	55,005	108,749

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

Loan facility
Herald Investment Trust have provided the Group with a £5.25 million working capital facility as detailed in note 1. This facility is unsecured with no covenants attached to it, but otherwise is on principally the same financial terms as the Investec facility as detailed in note 15, with interest payable at 10% over 3 month Libor.

Tom Black is a member of the Herald Investment Trust Board and is also a director of Digital Barriers plc.

Herald Investment Trust holds 15,329,712 ordinary shares in Digital Barriers plc equating to 9.28% of the issued share capital of the Group.

25. Post balance sheet event

Loan facility with Herald Investment Trust
On 28 September 2017, Digital Barriers PLC agreed a 15 month £5.25 million unsecured loan facility with Herald Investment Trust. The funds available through the facility are in addition to the Group's existing revolving credit facility and will be used to meet the working capital requirements of the Group.

Release of deferred consideration
In June 2017 Digital Barriers reached early finalisation terms with the vendors of Brimtek Inc. The terms of the finalisation involved a release of $1.45 million from the escrow account back to Digital Barriers and no deferred consideration to be paid. The performance conditions for the deferred consideration were set at a level significantly above forecast, and consequently deferred consideration balance at 31 March 2017 had been reduced to £nil against an expectation of a significant shortfall to the performance conditions set. (2016: £2,018,000).

26. Disposal group classified as held for sale

On 1 April 2016 the Board signed an agreement for the proposed disposal of the Services segment to its existing management team for £1. This followed the view that the Board believed that the Services division was no longer strategic to the Group's future. The disposal group was classified as held for sale in March 2016.

The sale completed on 19 May 2016.

The sale included limited ongoing customer contracts associated with the Services segment, as well as certain assets including vehicle leases and limited stock and moveable assets. The book value of the assets transferred was £0.1 million. In connection with the sale the Group transferred the division's employees, by way of a TUPE process.

26. Disposal group classified as held for sale continued

The following are attributable to the disposal group:

Income statement

	2017 £'000	2016 £'000
Revenue	**243**	3,777
Cost of sales	**(387)**	(3,114)
Expenses	**(62)**	(1,348)
Exit costs	**(1)**	(528)
Pre-tax loss for discontinued operation	**(207)**	(1,213)
Impairment of goodwill and intangibles on valuing at fair value less costs of disposal	**–**	(3,619)
Loss attributable to discontinued operation	**(207)**	(4,832)
Income tax expense	**–**	–

No tax arises on disposal.

Loss per share – discontinued operations

	Loss attributable to discontinued operations 2017 £'000	Weighted average number of shares 2017 No.	Discontinued loss per share 2017 Pence	Profit attributable to discontinued operations 2016 £'000	Weighted average number of shares 2016 No.	Discontinued profit per share 2016 Pence
Basic loss per share	**(207)**	**165,122,209**	**(0.13)**	(4,832)	105,052,916	(4.60)
Diluted loss per share	**(207)**	**165,122,209**	**(0.13)**	(4,832)	105,052,916	(4.60)

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.

Cash flows
Cash flows attributable to the disposal group include:

	2017 £'000	2016 £'000
Net cash flows attributable to operating activities	**–**	(93)
Net cash flows attributable to investing activities	**–**	(9)
Net cash flows attributable to financing activities	**–**	–

Assets and liabilities
At the end of March 2017 the carrying amount of assets and liabilities classified as held for sale are as follows:

	Carrying amount after classification as held for sale 2017 £'000	Carrying amount after classification as held for sale 2016 £'000
Inventories	**–**	35

27. Subsidiaries

Details of the Company's subsidiary undertakings as at 31 March 2017 are as follows:

Company name	Principal activity	Registered offices	Group interest in allocated capital	Principally operates in	Country of incorporation
Digital Barriers Services Limited	Consulting services Integrated security solutions	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Digital Barriers SAS	Proprietary video analytics software solutions	WTC Entrée J, 1300 Route Des Cretes, CS 50255, 06905 Sophia Antipolis Cedex, France	100%	France	France
Codestuff Limited	Non-trading	4th Floor, 39 St Vincent Place, Glasgow, G1 2QQ, United Kingdom	100%	UK	Scotland
OmniPerception Limited*	Standoff facial recognition	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Brimtek Inc.*	Provider of technical surveillance solutions	21660 Red Rum Drive, Suite 105, Ashburn, VA 20147, USA	100%	Virginia, USA	USA
Digital Barriers Inc,	Holding company	C/O Corporation Services Company, 2711 Centerville Rd Suite 400 Wilmington, New Castle, Delaware 19808, USA	100%	Delaware, USA	USA
Digital Barriers ME FZ-LLC	Service Office	Office 902, Thuraya Tower 1, Dubai Internet City, Dubai, UAE	100%	UAE - Dubai	UAE
Waterfall Solutions Limited	Non-trading	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Digital Barriers Singapore PTE Ltd	Service Office	32-01 Singapore Land Tower, 50 Raffles Place, 048623, Singapore	100%	Singapore	Singapore
Zimiti Limited	Non-trading	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
COE Group Ltd	Non-trading	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Digital Barriers SDN BHD	Service Office	Suite 21 02 & 03, 21st Floor, Menara Haw Par, Jalan Sultan Ismail, 50250 KL, Malaysia	100%	Malaysia	Malaysia
OmniPerception Holdings Limited*	Non-trading	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Applied Image Recognition Limited*	Provider official recognition solutions	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Security Applications Limited*	Non-trading	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
D Ford Associates Limited*	Non-trading	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Stryker Communications Limited*	Non-trading	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Essential Viewing Systems Limited*	Non-trading	4th Floor, 39 St Vincent Place, Glasgow, G1 2QQ, United Kingdom	100%	UK	Scotland
COE Limited*	Dormant	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Timeload Local Ltd*	Dormant	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Timeload Holdings Ltd*	Dormant	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Timeload UK Ltd*	Dormant	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales
Mutanderis 354 Ltd*	Dormant	121 Olympic Avenue, Milton Park, Abingdon, Oxon, OX14 4SA	100%	UK	England & Wales

* Held indirectly via intermediate holding companies. 100%

The period of accounts for all companies is 1 April 2016 to 31 March 2017, with the exception of Digital Barriers SDN BHD, whose period of account is from incorporation (on 8 December 2015) to 31 March 2017.

Directors' responsibility statement – Company financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) 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, including FRS 101 'Reduced Disclosure Framework' have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

Company balance sheet
at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
Non-current assets			
Investments	4	**42,451**	49,140
Trade and other receivables	5	**6,187**	11,831
		48,638	60,971
Current assets			
Trade and other receivables	5	**8,095**	14,631
Other financial assets	6	**–**	193
Cash and cash equivalents		**44**	22,875
		8,139	37,699
Total assets		**56,777**	98,670
Equity and liabilities			
Equity share capital	7	**1,814**	1,760
Share premium		**109,078**	109,078
Capital redemption reserve		**4,786**	4,786
Merger reserve		**106**	106
Other reserves		**2,114**	1,789
Retained earnings		**(61,562)**	(19,988)
Total equity		**56,336**	97,531
Current liabilities			
Trade and other payables	8	**441**	1,085
Financial liabilities	9	**–**	54
Total liabilities		**441**	1,139
Total equity and liabilities		**56,777**	98,670

The Directors have taken advantage of the exemption available under section 408 of the Companies Act and have not presented a statement of comprehensive income for the Company. The loss for the year dealt with in the accounts of the Company was £41,673,000 (2016: £2,494,000).

The financial statements on pages 83 to 84 (along with notes on pages 85 to 91) were approved by the Board of Directors on 29 September 2017 and were signed on its behalf by:

Tom Black
Chairman

Sharon Cooper
Chief Financial Officer

Company statement of changes in equity
at 31 March 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserves £'000	Retained Earnings £'000	Total equity £'000
At 31 March 2015	845	82,757	4,786	106	1,174	(17,671)	71,997
Loss for the year	-	-	-	-	-	(2,494)	(2,494)
Shares placement	806	27,394	-	-	-	-	28,200
Share issue costs	-	(1,073)	-	-	-	-	(1,073)
Incentive share conversion	109	-	-	-	-	-	109
Share-based payment credit	-	-	-	-	615	177	792
At 31 March 2016	1,760	109,078	4,786	106	1,789	(19,988)	97,531
Loss for the year	-	-	-	-	-	(41,673)	(41,673)
Incentive share conversion	54	-	-	-	-	-	54
Share-based payment credit	-	-	-	-	325	99	424
At 31 March 2017	**1,814**	**109,078**	**4,786**	**106**	**2,114**	**(61,562)**	**56,336**

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 arises on investments in subsidiaries acquired in share for share exchanges where merger relief from establishing a share premium account applies.

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

The notes on pages 85 to 91 form part of these financial statements.

Details of the Company's share capital in the Group Statement of Changes in Equity and note 17 to the consolidated Group financial statements.

Notes to the Company financial information
at 31 March 2017

1. Authorisation of financial statements and statement of compliance with FRS 101

The Company financial statements for the year ended 31 March 2017 were authorised for issue by the board of directors on 29 September 2017 and the balance sheet was signed on the board's behalf by Tom Black and Sharon Cooper. Digital Barriers plc is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 ´Reduced Disclosure Framework` (FRS 101) and in accordance with applicable accounting standards. The company has adopted an IAS 1 format in its financial statements, as permitted by FRS 101 (amended July 2015) using the 'adapted formats' in company law, as amended by SI 2015/980.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation
The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2017.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 Financial Instruments: Disclosures;

b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;

c) the requirements of IAS 7 Statement of Cash Flows;

d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

f) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment

g) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';

h) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1; and

i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

Basis of measurement
The Company financial statements are prepared on the historical cost basis with the exception of derivative financial instruments which are classified as at fair value through profit or loss.

Going concern
The accounts have been prepared on a going concern basis as described in note 1 of the consolidated Group financial statements.

Critical accounting judgements and key sources of estimation uncertainty
The key accounting judgement of the Company is the carrying value of its investments in subsidiary undertakings. The Company does not deem its investments in subsidiary undertakings to be impaired.

The key sources of estimation uncertainty include the fair value of derivative financial instruments classified as level 2 within the fair value hierarchy as a result of the use of valuation techniques.

2. Accounting policies continued

Share-based payments
Certain employees of the Company 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.

All awards made under the LTIP prior to 31 March 2015 are subject to performance and service conditions including market conditions, which are set out in the Remuneration report on page 35. 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 statement of financial position's 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 non-market performance conditions will be met.

All awards made under the LTIP after 31 March 2015 are subject service conditions and performance conditions that relate to revenue (with a profit related underpin) in the future. 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 Black-Scholes 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 statement of financial position's 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 non-market 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.

Certain 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 18 of the Group financial statements). 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 was 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 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 Income Statement in the year of £5,000 (2016: £35,000).

Foreign currencies
The Company's financial statements are presented in Sterling. 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.

2. Accounting policies continued

Investments
Fixed asset investments in subsidiaries' shares are held at cost (or deemed cost as at the date of transition) less any accumulated impairment losses in accordance with IAS 27: 'Separate financial statements'.

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. Investments made by way of a capital contribution into the subsidiary are carried at cost.

Impairment
The Company's accounting policies in respect of impairment of financial assets are consistent with the Group.

The carrying values of investments in subsidiary undertakings are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Loans to group undertakings
Loans to group undertakings are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Financial instruments
The Company has a Level 2 financial asset in the form of a financial swap. This is measured at fair value through the income statement. All other financial assets and liabilities are carried at amortised cost.

The company's financial risk management policies are consistent with those of the Group, where applicable, and are described in the Strategic Report on pages 2 to 9 and note 20 to the consolidated financial statements.

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.

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 included 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.

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 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.

Income tax is charged or credited to the Income statement 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.

3. Employees

The average number of employees during the period were as follows:

	Average 2017	Average 2016
Directors and administration	**8**	8

The employee benefit expense for the period of these employees amounted to:

	2017 £'000	2016 £'000
Salaries and short-term employee benefits	**1,173**	1,045
Social security costs	**156**	156
Pension costs	**6**	3
Share-based payment charge	**99**	177
	1,434	1,381

4. Investments

	Shares in Group undertakings £'000	Capital contributions £'000	Total £'000
Cost			
At 31 March 2015	17,745	34,477	52,222
Additions	5,582	615	6,197
At 31 March 2016	23,327	35,092	58,419
Additions	89	7,691	7,780
At 31 March 2017	**23,416**	**42,783**	**66,199**
Amounts provided			
At 31 March 2015 and 2016	9,279	–	9,279
Provision for impairment	5,118	9,351	14,469
At 31 March 2017	14,397	9,351	23,748
Net book value			
At 31 March 2017	9,019	33,432	42,451
At 31 March 2016	**14,048**	**35,092**	**49,140**

Capital contributions in the period related to:

- share-based payments to employees of subsidiary undertakings of £325,000 (2016: £615,000); and
- recapitalisation of part of the Digital Barriers Inc. loan held in place of £7,366,000 (2016: £nil).

On 24 September 2014, the company concluded a share purchase agreement for the sale of the entire issued share capital of Visimetrics (UK) Limited for £1 consideration, the investment had been held in the books at £3,461,000.

The additional investment in the current year relates to the increase in share capital of the subsidiary of Digital Barriers SDN BHD, to ensure the minimum share capital is set to comply with Malaysian law.

The impairment of investments of £14,469,000 reflects the reduced deemed recoverable value of the subsidiary entities which has been apportioned across the shares in group undertakings and capital contributions.

The investment in the year ending 31 March 2016 relates to Digital Barriers Inc, a newly incorporated Delaware, USA company with share capital of £5.6 million which was used, along with the £11.8 million of intercompany loans (see note 19 of the Group financial statements), to purchase the entire share capital of Brimtek Inc on 1 March 2016.

All of the Company's investments are unlisted.

Details of the Company's subsidiary undertakings as at 31 March 2017 are disclosed in note 27 of the Group financial statements.

5. Trade and other receivables

	Gross carrying amounts 2017 £'000	Provision for impairment 2017 £'000	Net carrying amounts 2017 £'000	Gross carrying amounts 2016 £'000	Provision for impairment 2016 £'000	Net Carrying amounts 2016 £'000
Amounts falling due after one year						
Interest bearing loans – subsidiary undertakings	**6,187**	**–**	**6,187**	11,831	–	11,831
Amounts falling due within one year						
Amounts owed by subsidiary undertakings	**35,822**	**(28,522)**	**7,300**	14,547	–	14,547
Interest bearing loans – subsidiary undertakings	**752**	**–**	**752**	61	–	61
Social security & other taxes	**19**	**–**	**19**	–	–	–
Prepayments and accrued income	**24**	**–**	**24**	23	–	23
	36,617	**(28,522)**	**8,095**	14,631	–	14,631

The intragroup interest bearing loan is a US dollar denominated, with an interest rate of 5.5% above the FED rate. Capital repayments start on November 2019.

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

	£'000
At 31 March 2015 and 2016	–
Provided in period	28,522
Utilised	–
Realised	–
Foreign exchange	–
At 31 March 2017	**28,522**

6. Other financial asset

	2017 £'000	2016 £'000
Other financial asset	**–**	193

There were no material currency contracts entered into during the year. As part of the acquisition of Brimtek Inc a $10.0 million swap instrument was put in place to convert GBP into USD at the prevailing rate (revalued at fair value at 31 March 2016: £193,000). The swap was entered into to convert GBP into USD at $1.40, and convert USD back to GBP on expiry of the instrument on 1 December 2016 when surplus USD balances were converted back to GBP resulting in a loss in the year of £476,000. Further details are included in note 20 of the Group financial statements.

7. Share capital

	Number	£'000
Authorised, allotted, called-up and fully paid		
Ordinary Shares of 1 pence each		
At 31 March 2015	84,489,481	845
Shares issued in the year	80,616,758	806
At 31 March 2016	165,106,239	1,651
Shares issued in the year	23,785	–
At 31 March 2017	**165,130,024**	**1,651**

	Number	£'000
Authorised, allotted, called-up and fully paid		
Incentive Shares of £1 each		
At 31 March 2016	54,375	54
At 31 March 2017	**–**	**–**

Authorised, allotted, called-up and fully paid		
Deferred Shares of £1 each		
At 31 March 2016	108,749	109
At 31 March 2017	**163,124**	**163**

Full details on the movements in share capital are provided in note 17 of the Group financial statements.

8. Trade and other payables

	2017 £'000	2016 £'000
Trade creditors	**157**	51
Accruals	**231**	1,015
Social security and other taxes	**53**	19
	441	1,085

On 17th October the Group replaced an existing £5.0 million secured working capital facility for export activities held with HSBC Bank plc with a new two year £10.0 million secured revolving credit facility with Investec Bank plc. The Company has entered into cross-guarantee arrangements in respect of all assets of the Company. The funds available through this facility will be used to meet the increasing working capital requirements of the Group's organic growth. The facility is secured by a fixed and floating charge over the Group's assets and includes covenants which are tested quarterly. The facility was not being utilised at 31 March 2017, but at time of approval of the financial statements is drawn to the extent of £6,094,000 with a net debt position of £4,167,000. No banking covenants have been breached at the time of approval of the Annual Report and waivers to covenants tests have been agreed with Investec during the testing period to date. In addition to this secured facility, on 28 September 2017 the Group arranged an unsecured £5.25 million loan facility with Herald Investment Trust to supplement the above facility for a period of 15 months, which has not been drawn on.

The interest rate for the borrowing under both these facilities is 10% over 3 month LIBOR, with a non-utilisation fee payable where applicable.

9. Financial liabilities

	2017 £'000	2016 £'000
Current		
Incentive Shares	**–**	54

No (2016: no) incentive shares were converted into Ordinary Shares (2016: nil), however 54,375 were converted into deferred shares (2016: 108,749). Further details on the incentive shares are provided in note 18 of the Group financial statements.

10. Related party transactions

Transactions with the Directors of the Company are disclosed in the Remuneration report and in note 24 of the Group financial statements.

Amounts outstanding due from related parties that have had transactions during the period are detailed below

	2017 £'000	2016 £'000
Amounts owed by subsidiary undertakings	**31,620**	14,547
Interest bearing loans owed by subsidiary undertakings	**6,939**	11,892
	38,559	26,439

Amounts owed by subsidiary undertakings are interest free and repayable on demand. Interest is applied at commercial rates on the interest bearing loans.

Loan Facility
Herald Investment Trust have provided the Group with a £5.25 million working capital facility as detailed in note 1. This facility is unsecured with no covenants attached to it, but otherwise is on principally the same financial terms as the Investec facility as detailed in note 15, with interest payable at 10% over 3 month Libor.

Tom Black is a member of the Herald Investment Trust Board and is also a director of Digital Barriers plc.

Herald Investment Trust holds 15,329,712 ordinary shares in Digital Barriers plc equating to 9.28% of the issued share capital of the Group.

11. Contingent liabilities

On 17th October the Group replaced an existing £5.0 million secured working capital facility for export activities held with HSBC Bank plc with a new two year £10.0 million secured revolving credit facility with Investec Bank plc. The Company has entered into cross-guarantee arrangements in respect of all assets of the Company. The funds available through this facility will be used to meet the increasing working capital requirements of the Group's organic growth. The facility is secured by a fixed and floating charge over the Group's assets and includes covenants which are tested quarterly. The facility was not being utilised at 31 March 2017, but at time of approval of the financial statements is drawn to the extent of £6,094,000 with a net debt position of £4,167,000. No banking covenants have been breached at the time of approval of the Annual Report and waivers to covenants tests have been agreed with Investec during the testing period to date. In addition to this secured facility, on 28 September 2017 the Group has arranged an unsecured £5.25 million loan facility with Herald Investment Trust to supplement the above facility for a period of 15 months, which has not been drawn on.

Under the former HSBC facility, the Company had a cross-guarantee arrangement in respect of all assets of the Company. The arrangements were in relation to the banking facilities made available to the Group by HSBC Bank plc. Under the HSBC facility, a cash pooling arrangement existed across most HSBC Bank Plc bank accounts where individual subsidiary companies were in an overdraft position, the cash balance held by the Company would be collateral for HSBC Bank Plc with the bank having a full right to offset on all cash balances held by the Group. In addition the bank had a charge over all the assets of the Group under a debenture.

12. Post balance sheet event

On 28 September 2017, Digital Barriers PLC agreed a 15 month £5.25 million unsecured loan facility with Herald Investment Trust. The funds available through the facility are in addition to the Group's existing revolving credit facility and will be used to meet the working capital requirements of the Group.

13. 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 financial statements.

The fee for the audit of the Company was £7,816 (2016: £7,625). 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 financial statements are required to comply with and include the disclosures required by Regulation 5(1)(b).

Details of share-based payments are in the Remuneration Report on pages 33 to 40 part of these financial statements. Information on the main employee share-based payments is given in note 18 to the consolidated Group financial statements. Details of the remuneration of key management personnel are given in note 24 to the consolidated Group financial statements.

Digital Barriers plc
Notice of Annual General Meeting

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 07149547)

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting (the "meeting" or the "AGM") of Digital Barriers plc (the "Company") will be held at the offices of Osborne Clarke LLP, One London Wall, London, EC2Y 5EB at 10am on Monday 23 October 2017 to consider and, if thought fit, to pass the following resolutions of which Resolutions 1 to 7 will be proposed as ordinary resolutions of the Company and Resolutions 8 to 10 will be proposed as special resolutions of the Company:

Ordinary business

1. To receive and adopt the audited financial statements of the Company for the year ended 31 March 2017 and the reports of the Directors and auditors thereon.
2. To approve the Directors' Remuneration report for the year ended 31 March 2017.
3. To re-elect Tom Black as a Director, who retires in accordance with the Company's Articles of Association.
4. To re-elect Colin Evans as a Director, who retires in accordance with the Company's Articles of Association.
5. To re-appoint Ernst & Young LLP as auditors of the Company to hold office from the conclusion of this AGM until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.
6. To authorise the Directors to determine the remuneration of the auditors.

Special business

7. 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 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 £550,433 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 15 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 authority had not expired.
8. That, conditional upon the passing of resolution 7 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 are hereby 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 7 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);
   (b) the allotment (otherwise than pursuant to paragraph (a) of this resolution) of equity securities up to a maximum nominal amount equal to £82,565; and
   (c) the allotment (otherwise than pursuant to paragraphs (a) and (b) of this resolution) of equity securities having up to a maximum nominal amount equal to £82,565 in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment,

   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 15 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.
9. 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 (the **"Exchange"**) of any of its own Ordinary Shares of 1 penny each (**"Ordinary Shares"**) on such terms and in such manner as the 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 24,752,990;

(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 derived from the AIM appendix of the Daily Official List of the Exchange for the five business days immediately prior to the day on which the share is contracted to be purchased;

(c) the minimum price which may be paid for an Ordinary Share is 1 penny exclusive of attributable expenses payable by the Company; and

(d) the authority conferred by this resolution, unless previously renewed, revoked, varied or extended, 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 this resolution, except that the Company may, before such expiry, enter into one or more contracts for the purchase of Ordinary Shares which may be completed by or executed wholly or partly after the expiration of this authority.

10. That, in addition to the authority given to the Company to purchase its own Ordinary Shares pursuant to Resolution 9 set out above, 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 Exchange of any of its own Ordinary Shares on such terms and in such manner as the Directors of the Company may from time to time determine provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased pursuant to one or more tender offer(s) is limited to an aggregate number of 24,769,503;

(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 derived from the AIM appendix of the Daily Official List of the Exchange for the five business days immediately prior to the day on which the share is contracted to be purchased;

(c) the minimum price which may be paid for an Ordinary Share is 1 penny exclusive of attributable expenses payable by the Company;

(d) the authority conferred by this resolution may only be used to make market purchases pursuant to a tender offer and for these purposes a "tender offer" shall mean an offer by the Company to purchase all or some of its own Ordinary Shares that is:

(i) communicated to all holders of Ordinary Shares by means of a circular or advertisement in two national newspapers;

(ii) open to all holders of Ordinary Shares on the same terms for at least 7 days; and

(iii) open for acceptance by all holders of Ordinary Shares pro rata to their existing holdings; and

(e) the authority conferred by this resolution, unless previously renewed, revoked, varied or extended, 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 this resolution, except that the Company may, before such expiry, enter into one or more contracts 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 Woollhead
Company Secretary

29 September 2017

Registered Office
121, Olympic Avenue
Milton Park
Abingdon
Oxon
OX14 4SA

Appendix 1 Explanatory notes to certain resolutions

Resolution 7 – 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 £550,433, representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 28 September 2017, being the latest practicable date before the 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 15 months from the passing of the resolution, whichever is the earlier.

Resolution 8 – 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 £82,565, representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 28 September 2017 (being the latest practicable date before the publication of this notice) for general purposes plus an additional amount of £82,565 (representing approximately 5% of the nominal value of the issued Ordinary Share capital of the Company as at 28 September 2017) in connection with an acquisition or specified capital investment, in accordance with updated institutional guidance. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of the resolution, whichever is the earlier.

Resolution 9 – Directors' authority to purchase shares (market purchases)
This resolution authorises the Directors to make market purchases of up to 24,752,990 Ordinary Shares (representing approximately 14.99% of the Company's issued ordinary share capital as at 28 September 2017, 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 1 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.

Resolution 10 – Directors' authority to purchase shares (market purchases)
In addition to the authority conferred by resolution 9, this resolution further authorises the Directors to make market purchases, by way of a tender offer, of up to 24,769,503 Ordinary Shares (representing approximately 15.00% of the Company's issued Ordinary Share capital as at 28 September 2017, 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 minimum price that can be paid for an Ordinary Share is 1 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 authority conferred by this resolution may only be used to make market purchases pursuant to a tender offer and for these purposes a "tender offer" shall mean an offer by the Company to purchase all or some of its own Ordinary Shares that is:

- (i) communicated to all holders of Ordinary Shares by means of a circular or advertisement in two national newspapers;
- (ii) open to all holders of Ordinary Shares on the same terms for at least 7 days; and
- (iii) open for acceptance by all holders of Ordinary Shares pro rata to their existing holdings.

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.

Explanatory Notes on proxy voting:

1. Every shareholder 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 AGM. 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 to exercise rights attached to different shares, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0370 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. To be valid a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated must be included with your proxy form. You can only appoint a proxy using the procedures set out in these notes and in the notes to the proxy form.
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 (as amended), entitlement to attend and vote at the AGM 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 AGM.
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 3RA50) not later than 10.00 am on Thursday 19 October 2017 being two working days before the time appointed for holding the AGM. 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 (as amended).
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 0370 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 the proxy forms should be initialled.
8. The completion and return of the proxy forms will not preclude a member from attending the AGM and voting in person.
9. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
10. Please note that communications regarding the matters set out in this Notice of AGM will not be accepted in electronic form, other than as specified in the accompanying proxy form.
11. A member that is a Company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in either one of two ways: Either by appointment of a proxy (described in note 1 above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's Articles of Association and the relevant provision of the Companies Act 2006.

Officers and professional advisors

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Zak Doffman
Chief Executive Officer

Colin Evans
Chief Operating Officer

Sharon Cooper
Chief Financial Officer

Bernie Waldron
Non-Executive Director

Paul Taylor
Non-Executive Director

John Woollhead
Company Secretary

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