ANNUAL REPORT AND ACCOUNTS 2016

SURVEILLANCE | SECURITY | SAFETY

SAFER.
STRONGER.
MORE SECURE.

Highlights of the year

- Revenues for continuing operations in line with expectations at £21.1 million
- Solutions division revenues increased organically 53% to £18.2 million (2015: £11.9 million)
- International revenues increased organically 113% to £15.1 million (2015: £7.1 million) to account for 83% of total organic revenues (2015: 59%)
- Adjusted losses reduced by 56% to £4.7 million (2015: £10.6 million)
- Enhanced strategic alignment of business through acquisition of Brimtek Inc. in the United States and divestment of UK Services division (completed after period-end)
- £27.1 million (net of placing costs) raised through new share issue in December 2015 to fund acquisition of Brimtek and working capital for enlarged Group
- First global industry partner OEM contract secured, with Axis Communications for SafeZone analytics

Chairman's statement

This was an important year for the Group in delivering against our strategy to establish a high-momentum surveillance and security technology business capable of generating strong growth by selling proprietary, IP-rich solutions to flagship customers around the world. The momentum of our Solutions division, which delivered organic revenue growth of 53% over the prior year, has seen us reach an inflection point – both in terms of our growth and in our relevance to customers. Our Solutions division traded strongly throughout the period, but especially so in the second half, with organic revenues 72% higher than the first half. International revenue growth was even stronger, increasing organically 113% (2015: 42%) through the year to £15.1 million (2015: £7.1 million), accounting for 83% of total organic revenues (2015: 59%). This has firmly established the Group as an export-led business, selling into a significant number of customers across our Americas, EMEA and Asia-Pacific regions, reducing the risk from exposure to any single customer or market.

This revenue growth is, in part, attributable to the shift from products to solutions that I detailed last year, transitioning from discrete hardware and software products to fully integrated solutions, built around our world class IP. This has helped secure long-term relationships with key customers and partners, it has enabled us to standardise offerings and also to control the quality of customer experience. This, in turn, has led to a material increase in gross margins across our Solutions division to 50% (2015: 43%), with organic Solutions gross margins up to 55%. Selling integrated solutions has also accelerated the pace of repeat sales to existing customers and has opened up a pipeline of larger opportunities.

This was also an important year for the Group in the United States with the acquisition of Brimtek, providing us with a solid platform for future growth in the largest single market for defence and homeland security technologies in the world. The importance of the US market has been increased further by the on-going funding allocated for new equipment following the Federal Communications Commission's 2015 auction of cellular spectrum which is expected to drive material investment in surveillance technology over the coming three to four years. Brimtek designs highly specialised solutions which provide increased situational awareness and operational advantages for its customers across defence, law enforcement and counter-terrorism, with whom it has key contracting relationships. Historically Brimtek has partnered with a range of other technology providers to develop integrated solutions tailored for this specialist marketplace. Moving forwards, their focus will be on developing highly differentiated solutions built around technologies from Digital Barriers and a select number of our strategically important technology partners.

In order to fund the acquisition of Brimtek, and to provide additional working capital for the enlarged Group, we raised £27.1 million after placing costs from existing and new investors in December 2015. Once again we were gratified by the strength and depth of support from our shareholders, who recognise the compelling potential of our technology portfolio and the markets we can access around the world. We were also delighted to welcome a number of new, material investors to the Group.

By the end of the year it had already been clear for some time that our UK Services division had become non-strategic to the Group's future, and following the acquisition of Brimtek the Board announced its intention to dispose of the division to its existing management team for a nominal consideration. The disposal was completed on 19 May 2016 following the required employment processes for the transfer of staff. The Services division was the first part of Digital Barriers to be developed after the Group's flotation in 2010. It provided tremendous value in customer references and credibility as we acquired and developed our technology portfolio and international network. Now, with strong continuing momentum in our Solutions division, this is no longer needed. The disposal of the division, whose performance lagged significantly behind the Solutions division in terms of both growth and gross margins, tightens the Group's strategic focus on developing and selling hi-tech, higher margin solutions into the global surveillance, security and safety markets. The division is treated as a discontinued business in the Group's financial results for the period.

We are now diversifying beyond our traditional intelligence, defence and law enforcement markets, to extend our technical solutions to include broader security and safety applications. However, the global security context has undoubtedly worsened this year, and this has maintained our focus on serving our key customers tasked with combating the threat from international and domestic terrorism, as well as with the commercial operators of critical infrastructure facilities, mass transportation networks and key natural resources. The degrading security situation is particularly apparent close to home in Europe, with high-profile terrorist attacks on public spaces, increasing tensions on the region's eastern borders, and the continuing migration crisis. Countries across Asia-Pacific, North, West and East Africa, the Indian Subcontinent, and of course the Middle East, face the same set of challenges in keeping their public safe from harm, and securing their borders and critical infrastructure, and we are heavily engaged in these regions. Meanwhile, the US is maintaining its technical leadership in defence and law enforcement, whilst addressing domestic radicalisation and organised threats to public safety at home as well as continued engagements overseas, and we are extremely proud to be heavily engaged in supporting primary US agencies. Many of our technologies are unique, providing a level of capability that is quite simply unavailable from anyone else, designed to meet the highly demanding requirements of these flagship customers around the world.

As a business focused on sustained investment in this portfolio of world class intellectual property, finding highly scalable channels to market via global industry players is a key part of our strategy. As such, developing industry recognition is extremely important to us and our first major success in this area has been an OEM contract for our SafeZone video analytics software with Axis Communications. As a global market leader in network cameras, Axis will now distribute our software globally under its brand. The new product won Best Analytic on its formal April 2016 launch at ISC West in the United States.

Axis and its parent, Canon, are important partners to the Group, and we were delighted to win the 2015 Axis ASEAN Project of the Year Award for a major Police Project in Asia. We were also delighted that ThruVis, the only rapidly deployable camera capable of detecting objects such as weapons and explosives concealed under clothing, secured a Frost and Sullivan Best Practice Award during the year for Technology Innovation in Terahertz Security Systems; these best practice awards are presented to companies predicted to encourage significant growth through the creation of advanced technologies that will transform industries in the near future.

Behind the strong organic growth we delivered during the year, there are of course an increasing number of highly-valued, and increasingly long-standing, relationships with customers and partners, and much of our sales pipeline is now repeat sales. Revenue growth during the year was especially strong in Asia-Pacific and the United States, with a strong pipeline built into the Middle East and Europe to be converted as we look to maintain our momentum. The UK endured another difficult year, with further pressure on public spending leading to delays in procurements across our defence and security customers. Fortunately, the Group has now reached a scale in its overseas regions to hedge against UK performance, albeit we feel extremely well positioned given our heritage and the quality of our technologies for when spending in the UK returns to more normal levels. As regards the UK exit from the European Union, we do not currently envisage any material trading implications for the Group given the nature of our customers and the channels to market, although we will be keeping the currency implications under review.

We continue to invest in building a high performing culture within the business. Particular focus has been given to strengthening our sales and pre-sales teams in Asia and the US, where we have added individuals with excellent customer relationships. Encouraged by our progress with Axis, we have created a new senior management role to focus on these types of global technology partnerships. Finally we have been building a common culture and set of values across our offices through a staff mentoring programme which aims to improve communication and enhance a common sense of purpose across the Company.

In combination, our strong organic growth and continued momentum, our acquisition of Brimtek, and our divestment of the UK Services division, has enabled the Group to start the new financial year in better shape than ever before, with our sights firmly set on delivering the growth needed to deliver profitability in the period now underway. I am confident in our strategy and the Board remains comfortable with its expectations for this financial year driven by continued international growth and high-quality engineering to maintain significant technical leadership in our field.

Update on strategy

What we do
We provide visually intelligent solutions for the global surveillance, security and safety markets, specialising in zero-latency streaming and analysis of secure video and related intelligence over wireless networks, including cellular, satellite, IP mesh and cloud.

The evolving global security context increases demand for the types of solutions that we develop and sell. Our solutions for covert, remote and wide-area installations, as well as vehicle and body-worn applications, require significantly less network bandwidth than standard technologies and have been sold into more than 50 countries, including some of the world's most hostile and demanding operational environments. We also provide advanced video content analysis and body scanning to identify threats to life, safety concerns and illicit activity in real-time.

Our solutions have been developed for specialist areas of security and defence, as well as for the protection of high-profile locations such as borders, airports, military bases, public transportation systems and natural resources.

Our heritage
From IPO in 2010 to 2013, we acquired 14 businesses with compelling intellectual property (IP) and capabilities. We fully integrated these businesses into a single platform for the continual innovation of proprietary IP-rich solutions and a sales organisation covering key regions around the world.

Since late 2014, with our hardware and software products now fully updated, we have introduced a set of integrated solutions designed to deliver an end-user capability rather than standalone hardware and software applications. This evolution from products to solutions has significantly eased the deployment of customer solutions and has allowed us to exercise more control over the quality of user experience for our customers.

Our operations today
We operate in three regions around the world: EMEA, from regional offices in London, Nice and Dubai; Asia-Pacific, from regional offices in Singapore, Kuala Lumpur and Seoul; and the Americas from an office in Ashburn, in the Washington DC Metropolitan area.

Our focus is on the continual development of class-leading hardware and software solutions based on our portfolio of IP, and selling these solutions to flagship customers across our regions, either with partners, through our cloud-based offering, or through OEM channels to market where our IP is white-labelled on a non-exclusive basis.

Market positioning
With a very clear view now established on the competitiveness of our technology portfolio, we undertook a major rebranding exercise across the Company. This resulted in our 'Visually Intelligent Solutions for Surveillance, Security and Safety' tagline, selected to focus on our video-related technologies, the differentiation we achieve through ground-breaking video analytics and how we intend moving beyond today's core position in the government surveillance market towards the broader network video market and on into new emerging markets for real-time video services (for example, autonomous vehicle safety).

We introduced new solution family brands, incorporating the Visually Intelligent Solutions ('VIS') theme as follows:

- **EdgeVis Live** – Real-time video streaming from anywhere to anywhere even over bandwidth constrained and congested networks using 60% less bandwidth than standard technologies.
- **EdgeVis Shield** – An integrated surveillance platform that provides real-time video streaming and early warning intrusion alerts for remote locations.
- **ThruVis** – A unique rapidly-deployable camera capable of detecting weapons and explosives concealed under clothing from a range of up to 15 metres or identifying a drug smuggler at a busy border crossing.
- **SmartVis** – Our range of intelligent edge-based advanced video analytic solutions and automation tools such as intrusion detection and facial recognition.
- **CloudVis** – Cloud-based visually intelligent video analytics for facial recognition and detecting intrusions with an unprecedented record for filtering out false alarms.

Business review

Regional updates

Asia-Pacific

We achieved growth of 171% in the period, building on our progress over the last two years. We have achieved this success by staying focused on key markets and developing strategic implementation partners with good relationships into major government clients. In particular, large follow-on sales have been a key driver of growth and we expect this to continue to increase as we embed our solutions into a wider client base.

This is especially apparent with ThruVis, where we established key reference customers in prior years and are now successfully converting these to material sales. We continue to invest in expanding our pipeline by seeking these smaller initial deployments aided by our strong credentials.

Key sales were:

- **EdgeVis Live vehicle solution** – £2.6 million repeat sales of our video surveillance solution sold into a national police force for use in its police cars. We anticipate that this deployment will continue to expand and will act as a reference for other customers in the region.
- **EdgeVis Shield maritime border surveillance solution** – in total, £2.8 million sale of our wide-area border surveillance solution incorporating video, thermal cameras, radars and our ground sensors.
- **ThruVis border checkpoint solution** – £1.6 million sale of ThruVis units to a major government agency for border protection and anti-terrorism applications. With major reference clients for large deployments, and a large number of existing clients trialling systems on a small scale, we expect growth to continue.

North America

In FY16 we achieved organic revenues growth of 60% to £2.8 million and added £2.9 million of revenues from Brimtek post acquisition. After considerable R&D effort, we now have the EdgeVis Live products and enterprise-grade software scalability required by various Federal government agencies, and we expect to see increasing scale of adoption as these agencies move through their major equipment refresh programme, stimulated by spectrum sale proceeds.

Brimtek performance post acquisition has been encouraging, with the expected benefits from framework contract ownership being realised. Our Federal government clients have responded very positively to the fact that they can now buy our solutions from a US-based company. Through Brimtek, we are also now building on our end-to-end capability to design, engineer, manufacture, integrate and deliver solutions which we will exploit to iterate at a faster pace on local requirements.

We continue to address the quasi-governmental and commercial markets with specific focus on taking EdgeVis Live into the Oil and Gas market given new regulations for real-time monitoring post the Deepwater Horizon oil spill in 2010, and ThruVis into the broader aviation security market.

Key sales were:

- **EdgeVis Live IP250 and derivative solutions** – $2.3 million for sale of newly developed, EdgeVis live products to a US Government agency for operational surveillance requirements. This includes our first contract to integrate some of our SmartVis video analytics to provide a ground-breaking new surveillance capability. This order is part of a significant trend towards strategic adoption of EdgeVis Live by Federal government agencies.
- **Continued success for Brimtek** – $5.9 million contract award for third party products under an existing procurement framework, demonstrating the on-going viability of these contracts.

EMEA

Progress in Europe has been encouraging with 36% growth achieved bringing revenues above £1 million in the year. This success is attributed to increased focus on a number of countries, especially post the attacks on Paris and Brussels, and by working even more closely with a handful of key implementation partners. With our SmartVis video analytics work being led from our office in Nice, it has been especially pleasing to see continued penetration of SmartVis technology into the French market. Broader demand is expected to be driven by immigration issues in southern Europe and on-going geopolitical uncertainty in Eastern Europe.

Weak UK Government spending and limited progress diversifying into broader commercial markets, meant UK revenues disappointed at £3.1 million.

In the Middle East we continue to focus on the major economies in the region dealing with various forms of extremist threats. Our approach is to work with key partners that have ethical access to projects in our core markets. This led to a partnership agreement with Mobily, a major Saudi Arabian mobile phone operator, illustrating the potential for this approach and positioning us well for further expansion. Relatively long sales cycles means the Middle East remains an investment market for Digital Barriers.

Key sales were:

- **EdgeVis Live security solution** – £1.0 million agreement for the supply of Mosque protection systems via Mobily, a major Saudi Arabian mobile phone operator.
- **SmartVis face recognition sale** – our first material face recognition sale to a major European government agency for use in building a suite of face recognition applications.
- **EdgeVis Live sales integrators** – our existing relationships continue delivering, including £0.6 million repeat sales to BT Redcare.
- **EdgeVis Shield pipeline protection solution to oil major** – £0.2 million sale of video, thermal cameras and ground sensors to oil major in West Africa seeking to better protect its oil pipeline infrastructure from substantial organised crime threat.

Core Solutions and Products

Our solutions and products are built around proprietary world class intellectual property, providing the Group with a defensible and highly differentiated position in the marketplace.

- **ThruVis** is the only camera in the world that can be used to detect threats to life such as weapons and explosives concealed under multiple layers of clothing. It offers a level of protection for airports, public transportation networks, shopping malls, schools, universities and other secure or high-profile locations that has never been available before. ThruVis is mobile and discreet, flexible and rapidly deployed, requiring no fixed infrastructure unlike other screening technologies such as those deployed at airports and secure buildings. All of these attributes make ThruVis unpredictable and much more difficult for a would-be adversary to rehearse against. It can be intelligence-led, responding to specific threats or operational needs. The uniqueness of ThruVis, and its potential to defend against the types of attacks now being seen around the world, has led to significant media attention for the technology and a marked increase in demand as more organisations around the world become aware of the capability.

- **EdgeVis,** our platform for streaming live video from anywhere to anywhere, featuring end-to-end security, real world resilience and network optimisation to provide usable live video using 60% less bandwidth than standard technologies, is equally unique. We are increasingly seeing emergency and public service vehicles equipped with live video systems, body-worn cameras being widely deployed for law enforcement, military and lone or vulnerable worker applications, and safe or smart city schemes leading to the installation of significant numbers of network cameras. With this exponential rise in the requirement for live video, the perceived benefits of the immediacy of live video over the storage of video on data cards for after-event analysis, the potential of our EdgeVis Live and EdgeVis Shield solutions which can deliver live video at a fraction of the bandwidth required by competing technologies, and which integrate 'glass to glass' between standard cameras and standard video management systems, is exceptional.
- The **SmartVis** suite of applications has been designed to provide customers with the flexibility to focus their surveillance, security and safety technologies on what's important to them. In a world where immediacy of information is paramount, providing only what's needed but doing so in real-time, intelligent analytics has become critical. This includes cameras that reliably alert on specific events, software that can adapt video streams to changing environments, an application to automatically check the performance and even positioning of entire networks of thousands of cameras ensuring that an incident will be captured and won't be missed. Our SmartVis software library is expanding, and over the coming months will include our advanced facial recognition technology for the first time. Our software has been designed to be embedded on cameras and other 'edge' devices, such as our EdgeVis hardware products. Simplifying deployment and cutting costs for customers. The launch of CloudVis during the period takes this a stage further, and many of our applications are available online providing more flexible revenue models.

New solutions and products

Our sales model involves generating exceptionally close relationships with customer organisations and their end-users around the world. We constantly listen to their emerging needs and requirements and we use this input to develop and refine our solutions. These are based around our core product set, with carefully selected and integrated 'best of breed' third party components. This allows us to deliver and support complete capabilities for our customers, driving additional revenue and generating better 'sum of the parts' margins, given the value-add of our solutions.

In the last year, we have introduced a number of new solutions including:

- **Body-worn live streaming video using EdgeVis Live** – we have worked with another UK-based vendor of body-worn camera and evidence management software to produce the world's first fully functioning live streaming body-worn capability. This has already generated significant interest and we expect to see very rapid developments in this market in the coming months.
- **Specialist variants of EdgeVis Live** – we extended our core EdgeVis Live products to meet the very specific covert surveillance needs of various US Government customers.
- **Motorbike-based surveillance** – we have extended our live video solution for police cars onto motorbikes and included tethered body cams to provide extra protection and live video coverage for dismounted officers.
- **Railway asset protection –** we have optimised the performance of our ground sensors, as part of an EdgeVis Shield solution, to filter false alarms created by train vibrations, to protect railway assets from attack. Initial sales to a major European railway operator saved over £0.5 million and reduced vandalism in six months.
- **Cloud delivery models for video analytics –** CloudVis is designed for users who need flexibility in how they apply intelligence to their video. Early CloudVis traction is being generated with an application to provide automatic health checks on networks of thousands of deployed cameras.

Channel partners

Our principal go-to-market approach has been to influence end clients direct and, where we are not able to sell direct, to work through local champion implementation partners to sell and deliver. As an increasing number of market opportunities open up outside our core government surveillance niche, we have invested in building broader industry partnerships with major global technology groups. Our aim is to utilise these organisations' brands and global reach to generate additional demand and brand recognition for Digital Barriers. We remain confident that these channel and OEM relationships will, in due course, deliver potentially highly scalable revenues with significantly reduced cost of sale, complementing our current direct sales model.

In this period, we have taken several significant steps to realising the potential of this approach to the market, examples of which are as follows:

- **OEM deal with Axis** – Our relationship with Axis, one of the world's leading network camera manufacturers (now owned by Canon), has developed into an OEM agreement to supply a white label version of SafeZone-edge. Axis Perimeter Defender was launched in early 2016 which gives our intrusion detection analytic access to a much larger distribution network as well as previously untapped markets such as the US.
- **Joint market development with Canon** – based on the progress with Axis, we are now also working with Axis' parent, Canon, on the joint development of a wirelessly enabled 'safe city camera'. This is targeted initially at the very rapidly expanding Asian market for wireless video infrastructure. This initiative will be launched with Canon at London's IFSEC security show in June.
- **Mobily VSAAS for Saudi Arabia** – Launch of a VSAAS offering: the first of its kind, secure zero-latency solution will be critical to helping ensure continued safety and security across the country.

Based on the progress we are making in this area, we have created a new senior management role to focus on these types of global technology partnerships.

Research and development

We maintain a very active research and development programme that aims to ensure we retain a substantial competitive advantage against general industry trends and specific competitor threats. Highlights of the last year are:

- **Emerging industry standards** – we continue to invest in developing our core video compression technology (TVI) on which our EdgeVis solution sets are based. This development work is focused on ensuring we remain highly competitive as new video compression standards, such as H.265, emerge in product format, and will allow us to work with increasing camera resolutions (such as 4K cameras).
- **Exploiting next generation chipsets** – the on-going video intensive demands of the smartphone, gaming and autonomous vehicle are leading to new microprocessor architectures with substantially improved video processing. We are actively researching how to exploit these as the basis of future EdgeVis Live products.
- **ThruVis development** – driven by needs of mass transit security post-Paris and Brussels attacks, we continue to work closely with government sponsors to develop our ThruVis technology to identify weapons and explosives concealed in clothing as people walk through crowded spaces such as railway and airport concourses.
- **Development of deep learning analytics** – this year we have progressed our facial recognition technology using revolutionary 'deep learning' algorithm development techniques. This places us firmly in the vanguard of this exciting new area of artificial intelligence development.

Operations
We continue to work to improve our ability to deliver high quality solutions in a timely manner to our customers, and provide responsive post-sales support. To achieve this, we have focused on the following areas in the last year:

- **Improving our facilities in the UK and US** – we have expanded and improved our solutions assembly, test and delivery centres in both Didcot and Ashburn, US following the Brimtek acquisition. These on-going investments will allow us to continue scaling operations.
- **Strengthening our supply chain management** – we have reduced the number of suppliers we work with and have continued to mature processes in this area to improve stock availability and cash flow.
- **Improving our post-sales support arrangement** – we continue to improve our management information tools and have increased staffing levels in this area.
- **IT security improvements** – we continue to invest in streamlining and improving the security of our IT infrastructure.

With rapid growth in the US and Asia, will be replicating best practice in the UK into our US office and then into a new Asia-based operations centre which we anticipate opening later in FY17 to service rapid growth in that region.

People
Given strategic progress now being made in Asia and the US, we have invested in strengthening our sales and pre-sales teams to ensure we exploit fully the market opportunities that are now opening up to us.

The main people focus in the last year has been building a common culture and value set across the many offices we operate from in the UK, France, the US, Dubai, Singapore, Malaysia and South Korea. We are doing this through a staff mentoring programme which links individuals performing similar roles across different offices to encourage information sharing and best practice creation. The very modest cost this entails is already paying back in terms of improved communication and common sense of purpose across the Company.

We continue to enjoy high levels of staff loyalty and very low levels of voluntary attrition, giving us a very stable human capital base.

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

- **Revenue attributable to continuing operations:** £21.1 million for the year under review (2015: £11.9 million);
- **International organic revenues:** 83% of total organic revenues (2015: 59%);
- **Gross margin:** 50% for the year under review (2015: 43%);
- **Adjusted loss before tax:** £4.7 million for the year under review (2015: £10.6 million);
- **Administration costs:** £17.5 million for the year under review (2015: £17.7 million);
- **Number of employees:** 189 at 31 March 2016 (2015: 150); and
- **Cash, net of overdrafts:** £10.8 million at 31 March 2016 (2015: £8.7 million).

Financial review

For the year ended 31 March 2016, Digital Barriers delivered revenues from continuing operations of £21.1 million (2015: £11.9 million) generating an adjusted loss before tax of £4.7 million (2015 loss: £10.6 million) and an adjusted loss per share of 3.82 pence (2015 loss: 14.27 pence). On an unadjusted basis, the loss for the year was £12.6 million (2015 loss: £17.9 million) and loss per share was 7.42 pence (2015 loss: 26.00 pence).

Revenue

£21.1 million of continuing revenue in the year, includes £18.2 million (2015: £11.9 million) organic Solutions revenues, and £2.9 million contributed by Brimtek in the period following acquisition on 2 March 2016. The 53% increase in organic revenues over the prior year reflects continued expansion of our customer base in international markets. International revenues for the year totalled £18.0 million, compared to £7.1 million in the prior year. This equates to growth of 154%, or 113% on an organic basis. International revenues now account for 83% (2015: 59%) of total organic revenues. The growth in international revenues was partly offset by a reduction in revenues in a challenging UK market.

Results by region are detailed below:

Revenue	**2016 £'000**	2015 £'000
Solutions:		
International	**18,028**	7,093
UK	**3,108**	4,849
Solutions total	**21,136**	11,942
Of which:		
Organic	**18,212**	11,942
Acquisition	**2,924**	–
Solutions total	**21,136**	11,942

Gross margin

Gross margin for continuing operations increased to 50% in the year (2015: 43%). Underlying this, the gross margin attributable to organic revenues materially increased to 55% (2015: 43%) with Brimtek gross margin around 20% for the period. Increases in the gross margin of the organic business are the result of continued growth in the sales of solution offerings to customers, which attract a higher premium compared to historical product only sales. In addition, whilst delivering growth in unit sales in the period (up from 33 units last year to 45 this year) ThruVis revenues, which attract a lower gross margin, were a smaller percentage of total revenues in the year compared to the prior period.

	2016 £'000	2015 £'000
Revenue	**21,136**	11,942
Gross margin	**10,517**	5,155
Gross margin %	***50%***	*43%*

Overheads

Administration costs are broken down as follows:

Overheads	**2016 £'000**	2015 £'000
Solutions administration costs	**11,794**	12,201
Amortisation of intangibles initially recognised on acquisition	**1,320**	1,435
Central costs		
Board, operations, finance and facilities	**3,594**	3,578
Share-based payment charge	**792**	438
	4,386	4,016
Total administration costs	**17,500**	17,652

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

In total Solutions administration costs in the year have decreased 3% to £11.8 million (2015: £12.2 million). This decrease reflects continued tight cost control within the Group following a restructuring exercise undertaken at the end of FY14. Investments have been funded through targeted redeployment of cost savings made on the prior year. Central costs, excluding acquisition costs and share-based payment charges, have grown only marginally year on year (up 0.5%). This increase reflects expansion of the central delivery team required to support the significant revenue growth.

Overall administration costs have remained broadly flat year on year at £17.5 million (2015: £17.7 million).

Loss for the year

The Group continues to show material reductions in losses year on year.

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 2016 the adjusted loss from continuing operations was £4.7 million compared to a prior year loss of £10.6 million. The reduction in the adjusted loss year on year has been primarily driven by three key factors:

- growth in international revenues (113% growth organically);
- gross margin improvements across the Group (organic gross margin up from 43% in FY15 to 55% in FY16); and
- tight cost control (overheads flat year on year).

The unadjusted loss before tax from continuing operations for the year amounts to £8.5 million (2015 loss: £18.8 million). In addition to the three key factors detailed above, the reduction in the unadjusted loss is also attributable to an impairment charge of £6.25 million recorded in the prior year that has not repeated in the current year. This is partly offset by £1.7 million of one-time costs associated with the acquisition of Brimtek Inc. and an exceptional write off of bad debt.

Loss details are provided in the table below:

	2016 £'000	2015 £'000
Loss before tax	**(8,506)**	(18,805)
Add back:		
Amortisation of intangibles initially recognised on acquisition	**1,320**	1,435
Share-based payment charges[(i)]	**792**	438
Acquisition related costs and exceptional write off of bad debt [(ii)]	**1,718**	–
Loss on disposal of businesses[(iii)]	**–**	103
Impairment of goodwill and intangibles[(iv)]	**–**	6,250
Adjusted loss before tax	**(4,676)**	(10,579)

(i) The basis of calculation has been updated to adjust for share-based payment charges. The Directors consider this to be a more helpful measure in understanding the true underlying costs of the business see note 4.

(ii) 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. These included £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.

(iii) Relates to the disposals of two wholly-owned subsidiaries, Margaux Matrix Limited and Visimetrics (UK) Limited. Each was disposed of for £1 consideration during the year. The Group did not sell any intellectual property as part of these transactions.

(iv) Relates to the reassessment of the carrying value of goodwill and intangibles within the Solutions division. The impairment of goodwill reflects a period of product development which has impacted the Group's ability to leverage value from the integrated businesses in the original timeframes expected.

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 £0.7 million (2015: £0.8 million) principally relates to R&D tax credits. At 31 March 2016, the Group had unutilised tax losses carried forward of approximately £55.5 million (2015: £47.5 million). Given the varying degrees of uncertainty as to the timescale of utilisation of these losses, the Group has not recognised £10.9 million (2015: £9.8 million) of potential deferred tax assets associated with £55.3 million (2015: £46.6 million) of these losses.

At 31 March 2016, the Group's net deferred tax liability stood at £0.1 million (2015: £0.1 million).

Loss per share

The reported loss per share on continuing operations is 7.42 pence (2015 loss: 26.00 pence). The adjusted loss per share on continuing operations is 3.82 pence (2015 loss: 14.27 pence).

Discontinued operations

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 on 1 April the Board signed an agreement for the proposed disposal of the business for nominal consideration. The disposal completed on 19 May 2016. Consequently the trading results of this operation for the period have been presented under discontinued operations and the prior period has been restated accordingly. Revenues from the Services business declined significantly in the year, down from £7.5 million in 2015 to £3.8 million in 2016. This decline was in part due to the delivery of a large system into a major UK sporting event in 2015 which did not repeat in 2016, and in part due to UK Government austerity measures. The loss attributable to discontinued operations was £4.8 million (2015: profit £0.1 million), including a £3.6 million impairment of goodwill attributable to the Services segment, which arises on remeasurement of the Services disposal group to fair value less costs of disposal.

Cash and treasury

The Group ended the year with a net cash balance of £10.8 million (2015: £8.7 million).

The £2.1 million year on year increase in net cash consists of £27.1 million (net of placing costs) proceeds from an equity fund raise, along with £7.1 million (2015: £12.1 million) outflow from operating activities and £17.9 million (2015: £0.5 million) investing spend.

The £7.1 million (2015: £12.1 million) outflow from operating activities included a £1.4 million net working capital outflow (2015: £1.9 million outflow), largely the result of higher fourth quarter revenues than in the prior year, along with a £1.1 million (2015: £nil) tax refund received. The balance of £6.8 million outflow from operating activities (2015: £10.2 million outflow) relates principally to the 'cash' operating loss (operating loss excluding non-cash items), with the Brimtek acquisition costs largely unpaid as at 31 March 2016.

Investing spend included £17.5 million (2015: £nil) in relation to the acquisition of Brimtek, and £0.4 million (2015: £0.5 million) of capital expenditure, mainly demonstration stock to support sales activities.

In April 2015 the Group entered into an agreement with HSBC Bank plc for a £5.0 million secured working capital facility to provide pre- and post-shipment finance in relation to export activities across the Group. The facility is partially guaranteed by the UK Export Finance Guarantees Department. The interest rate for any borrowings under this facility is 3% over the bank's Sterling base rate. This facility was reviewed and renewed as part of our wider annual banking facility review in September. No amounts were drawn down on the facility as at 31 March 2016. On the date of approval of the financial statements £600,000 (2015: £nil) had been drawn down.

Dividends

The Board is not recommending the payment of a dividend (2015: £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

1. International expansion

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

- developing good relationships with customers and partners, and exploiting these to deliver sales of the Group's capabilities;
- ensuring capabilities are delivered successfully to customers and partners, obtaining appropriate contractual sign-off and maintaining good levels of customer satisfaction;
- recruiting appropriately skilled staff;
- putting in place appropriate governance and controls, including meeting appropriate legal and financial obligations;
- 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 expansion. In addition significant research is undertaken prior to establishment in a new territory utilising both in-house expertise and external sources.

The Group is now operating from regional offices in six key geographical markets. In addition 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 divisional 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.

The Group continues to explore sources of working capital funding to ensure it is best placed to be able to deliver the right capital structure to support its development.

2. Dependence upon key intellectual property

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

Mitigation

The Group relies upon various intellectual property protections, including patents, copyright, trademarks, trade secrets and contractual provisions to preserve its intellectual property rights. These are reviewed regularly to ensure the Group is adequately protected in the most appropriate manner at all times. In addition the Group has enhanced the security of the IT infrastructure to ensure appropriate protection of intellectual property assets.

3. Competition

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

Mitigation

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

4. 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 by way of the further issue of Ordinary Shares, or via long term bank debt or shorter term working capital facilities. Any additional equity financing may be dilutive to shareholders 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
The Group continues to explore all sources of capital funding to ensure it is best placed to be able to deliver the right capital structure to support its development.

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

Mitigation
The Remuneration Committee annually reviews the appropriate remuneration structure and median market levels in respect of the Executive Directors. The outcome of the review undertaken in March 2016 is detailed in the Remuneration report.

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

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

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

7. Foreign business, political and economic risks
The successful full penetration of overseas markets by the Group may take longer than the Directors currently expect.

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

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

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

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

9. 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.

10. 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.

Approved by the Board and signed on its behalf:

Tom Black
Non-Executive Chairman

26 June 2016

Directors' biographies

Tom Black, (56) 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 (formerly Pinnacle Technology Group plc) and Herald Investment Trust plc, a Director of Grantdean Ltd and a trustee of the Black Family Charitable Trust.

Zak Doffman, (44) 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.

Colin Evans, (48) 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.

Sharon Cooper, (39) 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.

Bernie Waldron, (58) 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 Nexus Vehicle Rentals Limited, Servelec plc, Node 4 Limited, Process Systems Enterprise Limited, APSU Limited and Glory Global Solutions 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.

John Woollhead, (55) 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, (51) 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 2016.

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 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 05 to 09.

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 02 to 04, the update on strategy on pages 04 to 05, the Business review on pages 05 to 09 and the review of principal risks and uncertainties on pages 13 to 15. The financial position, cash flows and liquidity position are described in the Financial review on pages 10 to 15. 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 £12.6 million (2015: £17.9 million). As at 31 March 2016, the Group had net current assets of £19.9 million (2015: £18.1 million) and net cash reserves of £10.8 million (2015: £8.7 million).

In April 2015, the Company entered into an agreement with HSBC Bank plc for a £5.0 million secured working capital facility to provide pre- and post-shipment finance in relation to export activities across the Group. The facility is partially guaranteed by the UK Export Finance Guarantees Department. The interest rate for any borrowings under this facility is 3% over the bank's Sterling base rate. The facility will be reviewed on an annual basis as part of our wider banking facilities with HSBC Bank plc in September each year. There are no indications that the facility (along with our wider banking facilities) will not be renewed in September and as a result this facility has been factored into cash flow projections for the Group. Should the facility not be renewed in September, mitigating actions can be taken to manage our cash flows.

The Board has reviewed these cash flow forecasts for the period up to and including 30 September 2017. 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 resources. The Directors therefore believe there is sufficient cash available to the Group to manage through these requirements.

As with all businesses, there are particular times of the year where our working capital requirements are at their peak. However, the Group is well placed to manage business risk effectively and the Board reviews the Group's performance against budgets and forecasts on a regular basis to ensure action is taken where needed.

The Directors therefore are satisfied that the Group has adequate resources to continue operating for a period of at least 12 months from the approval of these financial statements. For this reason, they have adopted the going concern basis in preparing the financial statements.

Group results

The Group's Consolidated income statement set out on page 43 shows a loss before tax from continuing operations for the year of £8.5 million (2015: £18.8 million), and a loss for the year of £12.6 million (2015: £17.9 million).

Dividends

The Directors are not recommending a dividend in respect of the year ended 31 March 2016 (2015: £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 24 to 31 and in connection with Directors' remuneration in the relevant section of the Remuneration report on pages 32 to 39.

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, 165,106,239 Ordinary Shares of 1 pence each ('Ordinary Shares') were in issue and fully paid with an aggregate nominal value of £1,651,062. In addition, 54,375 Incentive Shares of £1 each ('Incentive Shares') were in issue and fully paid with an aggregate nominal value of £54,375 and 108,749 Deferred Shares of £1 each ('Deferred Shares') were in issue and fully paid with an aggregate nominal value of £108,749.

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.

On 21 September 2015, following the AGM, 108,749 Incentive Shares converted into 108,749 Deferred Shares of £1 each.

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 2016, 529,500 (2015: 574,829) 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 Incentive Shares are not entitled to receive notice of, to attend, to speak at or to vote at general meetings of the Company (other than in respect of a class meeting of the holders of Incentive Shares). The Incentive Shares do not confer a right to be paid a dividend. The transfer of Incentive Shares is prohibited except in limited circumstances. Additional details regarding Incentive Shares are given on page 35.

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 2016, 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. The Incentive Shares currently in issue will vest immediately in the event of a change of control.

Issue of shares

At the general meeting held on 29 December 2015, 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 £544,850.

It is proposed at the forthcoming AGM to renew the authority to allot relevant securities up to an aggregate nominal amount of £544,850, being 33% of the nominal value of the current issued share capital.

Also at the general meeting held on 29 December 2015, 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 £82,553 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 £82,553, being 5% of the current nominal value of the issued share capital, without application of the statutory pre-emption rights.

Purchase of own shares

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

- the minimum price which may be paid for any such Ordinary Share is 1 pence (exclusive of expenses and appropriate taxes);
- the maximum price (exclusive of expenses and appropriate taxes) which may be paid for any such Ordinary Share shall be not more than 5% above the average of the middle market value for an Ordinary Share in the Company as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase; and
- the maximum number of shares subject to this authority will be limited to 16,510,623 shares representing 10% of the issued Ordinary Share capital of the Company.

Except in relation to a purchase of Ordinary Shares, the contract for which was concluded before this authority expires and which will or may be executed wholly or partly after such expiry, the authority granted shall expire at the conclusion of the AGM to be held in 2017. The Directors will only use this authority having taken into account market conditions at the time of purchase, other investment opportunities, the effect on earnings per share and the impact on shareholders and the overall position of the Company at that time.

Significant agreements – change of control

The Incentive Shares as described in more detail on page 35 will immediately vest on a change of control following a takeover bid.

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

Substantial shareholdings

As at 26 June 2016, 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	20.66
Henderson Global Investors	24,958,890	15.12
Herald Investment Management	13,214,712	8.00
Aviva Investors	10,289,397	6.23
Tom Black	9,319,432	5.64
Artemis Investment Managers	7,496,892	4.54
M&G Investment Management	7,416,158	4.49
Hargreave Hale, Stockbrokers	7,314,750	4.43
Invesco Perpetual Investment Management	6,295,000	3.81
GAM	5,605,000	3.39
Old Mutual Global Investors	5,367,808	3.25
Soros Fund Management	5,025,000	3.04

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.

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, Bernie Waldron and Zak Doffman are submitting themselves for re-election at the forthcoming AGM. Following review the Board believes that all Directors have performed well during the year and that their individual participation and experience within the sector and markets in which the Group operates adds considerably to the Group's ability to deliver its objectives.

Directors' interests

Details of the interests in the shares of the Company of the Directors holding office as at the date of this report, and their immediate families, appear in the Remuneration report on page 39.

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 £3.0 million (2015: £2.6 million) relates to development of hardware and software products. Additional information is given in the Strategic report on page 8.

Employees

At 31 March 2016, the Group employed 189 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.

It is anticipated that an employee satisfaction survey will be undertaken later in the summer the results of which will be used by the Board to agree actions to further 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.

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 13 to 15 and in note 20 of the financial statements.

Post balance sheet events

The divestment of the Services division was announced on 1 April 2016 and completed on 19 May 2016. Further details are given in note 26 on page 77.

Political donations

No political donations were made during the year (2015: £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 41 and 42.

Annual General Meeting

The AGM will be held at Cargo Works, 1–2 Hatfields, London SE1 9PG on Friday 23 September 2016 at 2.00 pm. The notice convening the meeting is on pages 89 and 90 together with details of the business to be considered and explanatory notes relating to each of the resolutions being proposed.

Auditor

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

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

John Woollhead
Company Secretary
Cargo Works
1–2 Hatfields
London SE1 9PG

Registered in England and Wales No. 07149547

26 June 2016

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.

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	11/11
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 29.

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 2016. 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 due diligence in respect of the acquisition of Brimtek Inc., 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 56.

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 June 2016, 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 2017.

The Audit Committee was satisfied, in view of their performance in respect of the 2016 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 23 September 2016.

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, and associated performance conditions, for Executive Directors and senior management later in 2016;
- awards, and associated performance conditions, made under the Long Term Incentive Plan in 2015; and
- the appointment of New Bridge Street as Remuneration Consultants.

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	4/4
Paul Taylor	4/4

The Remuneration report is set out on pages 32 to 39.

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 Bernie Waldron at the forthcoming AGM; and
- the proposed re-election of Zak Doffman at the forthcoming AGM.

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	1/1
Paul Taylor	1/1

Chairman and Executive Directors
There is a clear division of responsibilities between the roles of Chairman (who serves in a Non-Executive capacity) 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 are being implemented.

The questionnaire in respect of the Board, the Remuneration and the Nomination Committees covered objectives and strategy, management oversight, Board performance, meetings, external relationships, governance, 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.

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

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

It is anticipated that the review exercise will be repeated annually.

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

The AGM of the Company will be held on 23 September 2016. In accordance with the Articles, Bernie Waldron and Zak Doffman 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 2016.

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.

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 four times during the year. Details of attendance are shown in the Corporate Governance statement on page 28.

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. A further review is currently being undertaken to ascertain the appropriate long-term incentive arrangements for the Executive Directors and senior management. The Remuneration Committee has yet to conclude the most appropriate form of long-term incentive.

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 2016

During the year under review, it was the policy of the Company that Executive Directors receive a basic salary with a bonus opportunity, two-thirds of which is payable in Deferred Shares, an award under the Group Long Term Incentive Plan ('LTIP'), life assurance of four times salary and private medical insurance 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 35 and 36.

Year ending 31 March 2017 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 and other relevant benefits. The structure of the bonus opportunity has been revised so that the maximum amount payable has been reduced and it is now based on profit rather than revenue and is paid fully in cash rather than a mix of shares and cash. Full details of the scheme are given on pages 33 to 34.

The Remuneration Committee is currently undertaking a review of long-term incentives for both the Executive Directors and senior managers within the Group. The review is on-going at the date of this report and it is expected that any revised arrangements will be implemented later in 2016 following consultation with shareholders.

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
Details of the bonus opportunity for Executive Directors with effect from 1 April 2016 are given on pages 33 and 34. The maximum bonus is capped at 75% of salary for Zak Doffman and 50% of salary for Colin Evans and Sharon Cooper. Any bonus payments will be paid fully in cash.

Long Term Incentive Scheme
As detailed above the structure of any long-term incentive scheme is currently under review by the Remuneration Committee with the expectation that any revised structure will be implemented later in 2016.

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 36. 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

A benchmarking exercise was undertaken earlier in 2016 year which identified that the base salary of both Zak Doffman and Sharon Cooper was below their peer group in similar organisations. In addition, consideration was given to the fact that Zak Doffman had not received a base salary increase following his promotion to CEO in October 2014 and Sharon Cooper had not received an increase in base salary since joining the Company in March 2014.

Accordingly, it was agreed that the base salary of Zak Doffman be increased to £330,000 (2015: £280,000) and the base salary of Sharon Cooper be increased to £210,000 (2015: £180,000). The base salary of Colin Evans will remain unchanged at £310,000.

Bonus scheme

Year ending 31 March 2016
During the year under review, the Executive Directors participated in a bonus arrangement as detailed in the 2015 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 2016.

Year ending 31 March 2017
The Remuneration Committee has reviewed the bonus arrangements for the Executive Directors and agreed that a similar arrangement, with some changes, will be in place for the year ending 31 March 2017. The aim of the bonus arrangement is to ensure that the interests of the Executive Directors and shareholders are aligned whilst providing the Executive Directors with a competitive remuneration opportunity for exceptional short- and long-term performance. Accordingly, the formal bonus scheme will enable Zak Doffman to receive a maximum bonus of 75% of basic salary and Colin Evans and Sharon Cooper a maximum bonus of 50% of basic salary. It is anticipated that any bonus payments will be payable in fully in cash most likely in July 2017. However, the Remuneration Committee retains the ability to utilise equity in order to fulfil bonus payment obligations.

The annual bonus will relate to profit targets with a revenue related underpin. The bonus payable to each of the Executive Directors will be determined by reference to the following revenue targets:

Profit	Bonus payout as a percentage of maximum bonus
Threshold target	25%
Target	50%
Stretch target	100%
Between threshold target and target	Straight-line basis between 25% and 50%
Between target and stretch target	Straight-line basis between 50% and 100%

The above profit targets are underpinned by minimum revenue requirements. If these revenue requirements are not met it is anticipated that no bonus will be payable. However, the Remuneration Committee will retain discretion in this regard.

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

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

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

Equity incentives

During the year, the Company operated a Long Term Incentive Plan ('LTIP'), the aim of which is to provide employees who are granted an award with nil-cost shares on exercise. The LTIP consists of three constituent elements, an HMRC Approved Option, a Top-Up Award and a Parallel Option. All awards under the LTIP 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 the year under review the Remuneration Committee reviewed the performance condition relative to the LTIP. In order to drive revenue growth it was agreed that awards made during the year be based on specific revenue targets rather than TSR.

Accordingly, all awards made since 1 April 2015 are subject to a performance condition that relates to revenue (with a profit related underpin) in the period 1 April 2017 to 31 March 2018.

The Remuneration Committee has adjusted the targets to account for the disposal of the Services division and the acquisition of Brimtek.

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 2015 as detailed on page 38 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.

Options under the Sharesave Scheme were granted to the Executive Directors as detailed on page 39 of this report.

No awards were made under this scheme during the year under review. It is anticipated that the Sharesave Scheme will be re-launched in June 2016 following the announcement of full year results.

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 2016, potentially dilutive awards have been made and are still outstanding as detailed below:

	31 March 2016	31 March 2015
Awards under the LTIP	**6,218,411**	2,771,864
Awards under the Sharesave Scheme	**447,685**	557,033
Awards under the Deferred Share Bonus Plan	**nil**	nil
Total	**6,666,096**	3,328,897

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.

Full details of awards made under the LTIP and Sharesave Scheme during the year are given in note 18 on pages 67 to 71.

Incentive Shares

On 22 February 2010, Tom Black, Colin Evans and Zak Doffman were issued a total of 217,500 Incentive Shares totalling £217,500 in a share for share exchange for Digital Barriers Services Limited shares, details of which are given in the table on page 36. 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 2015, the 90-day vesting period commenced on 8 June 2015 and ended on 6 September 2015. 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 3 September 2015.

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.

On 21 September 2015, following the AGM, 108,749 Incentive Shares converted into 108,749 Deferred Shares of £1 each.

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

The table below details the Incentive Shares that remain outstanding and the Deferred Shares that are held as a result of the Incentive Shares not converting into Ordinary Shares.

	Incentive Shares (capable of conversion) held on 31 March 2015	Incentive Shares (not capable of conversion) held on 31 March 2015	**Incentive Shares (capable of conversion) held on 31 March 2016**	Deferred Shares held on 31 March 2015	**Deferred Shares held on 31 March 2016**
Tom Black	54,374	27,188	**27,187**	nil	**54,375**
Zak Doffman	27,187	13,594	**13,594**	nil	**27,187**
Colin Evans	27,187	13,594	**13,594**	nil	**27,187**

If the remaining Incentive Shares had become convertible on 31 March 2016 and based on the share price of £0.47 on that day, all remaining Incentive Shares would convert into Deferred Shares with no Ordinary Shares issued. 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 2016:

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

It has been agreed that the annual fees for Tom Black, Bernie Waldron and Paul Taylor will remain unchanged for the year ending 31 March 2017.

Directors' remuneration for the year ended 31 March 2016

	Basic salary/fees 2016 £'000	Pension 2016 £'000	Other 2016 £'000	Benefits 2016 £'000	Bonus 2016 £'000	Remuneration **2016 £'000**	Remuneration 2015 £'000
Executive Directors							
Zak Doffman	280	1	nil	1	nil	**282**	281
Colin Evans	310	nil	nil	1	nil	**311**	311
Sharon Cooper	180	1	nil	1	nil	**182**	221
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	**900**	**2**	**nil**	**3**	**nil**	**905**	943

All Directors detailed above were in office during the year and remuneration has been presented from 1 April 2015 to 31 March 2016.

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 21.

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

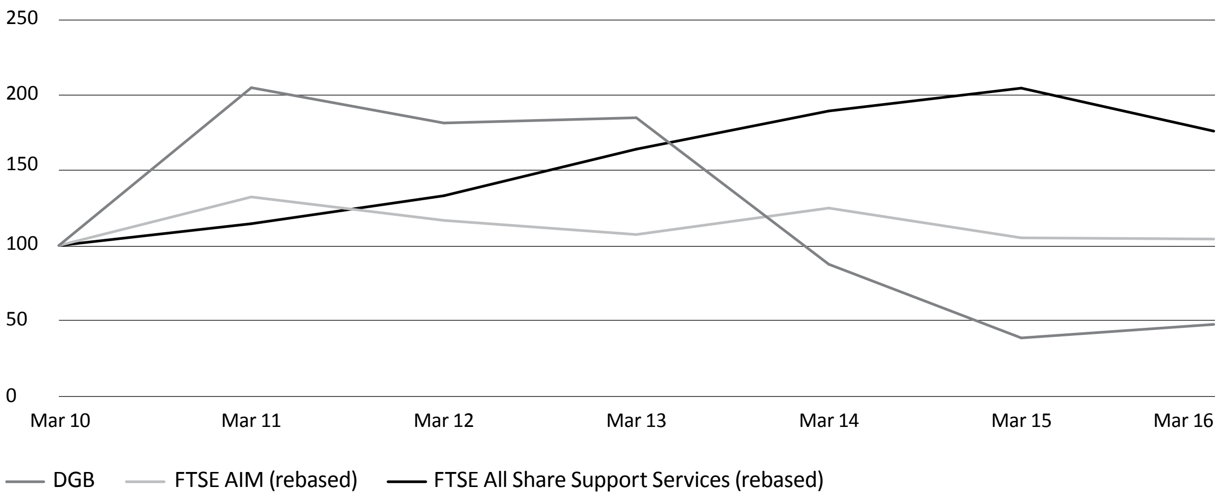
Non-Executive Chairman	Date of contract	Notice period (months)
Tom Black	23 October 2009	12
Executive Directors		
Zak Doffman	23 October 2009	12
Colin Evans	23 October 2009	12
Sharon Cooper	27 November 2013	6
Independent Non-Executive Directors	**Letters of appointment**	**Notice period (months)**
Bernie 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 2016 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 33.0 pence and 52.5 pence and at 31 March 2016 was 47.5 pence.



Share awards under the LTIP held at 31 March 2016

	At 1 April 2015	Awarded during the year	Lapsed during the year	Vested during the year	At 31 March 2016	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	nil	1,000,000	nil	nil	1,000,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil
Total LTIP award	**125,523**	**1,000,000**	**nil**	**nil**	**1,125,523**				
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	nil	1,000,000	nil	nil	1,000,000	02/07/15	03/07/18 to 02/07/25	£0.365	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	nil	500,000	nil	nil	500,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil
Total LTIP award	**125,523**	**500,000**	**nil**	**nil**	**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	nil	500,000	nil	nil	500,000	02/07/15	03/07/18 to 02/07/25	£0.365	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	nil	250,000	nil	nil	250,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil
Total LTIP award	**104,602**	**250,000**	**nil**	**nil**	**354,602**				
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	nil	250,000	nil	nil	250,000	02/07/15	03/07/18 to 02/07/25	£0.365	nil

Note:

(i) The Parallel Option is awarded to deliver the exercise price of the HMRC Approved Option and as such is not included in the calculation of the total LTIP award. Full details are given on page 34.

Share awards under the Sharesave Scheme at 31 March 2016

	At 1 April 2015	Awarded during the year	Lapsed during the year	Vested during the year	**At 31 March 2016**	Grant date	Exercisable from	Share price at grant	Exercise price
Sharon Cooper									
Sharesave option granted June 2014	18,750	nil	nil	nil	18,750	8/07/14	9/07/17 to 8/01/18	£1.195	£0.96
Total Sharesave award	**18,750**	**nil**	**nil**	**nil**	**18,750**				

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 2016 Ordinary Shares	As at 1 April 2015 Ordinary Shares	**As at 31 March 2016 Incentive Shares**	As at 1 April 2015 Incentive Shares capable of conversion	As at 1 April 2015 Incentive Shares (not capable of conversion	**As at 31 March 2016 Deferred Shares**	As at 31 March 2015 Deferred Shares
Tom Black	9,319,432	4,784,968	27,187	54,374	27,188	54,375	nil
Zak Doffman	732,644	732,644	13,594	27,187	13,594	27,187	nil
Colin Evans	1,574,920	774,920	13,594	27,187	13,594	27,187	nil
Sharon Cooper	96,138	67,567	nil	nil	nil	nil	nil
Bernie Waldron	113,536	113,536	nil	nil	nil	nil	nil
Paul Taylor	118,651	75,794	nil	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 2016 and 26 June 2016.

Approved by the Board and signed on its behalf:

Bernie Waldron
Chairman, Remuneration Committee

26 June 2016

Statement of Directors' responsibilities – Group financial statements

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

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

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

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

Independent auditors' report to the members of Digital Barriers plc

We have audited the financial statements of Digital Barriers plc for the year ended 31 March 2016 which comprise the 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 14. 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 Company financial statements is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice) including Financial Reporting Standard 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 Statement of Directors' Responsibilities set out on pages 40 and 79, 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 2016 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 the course of 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 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

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.

Matters on which we are required to report by exception

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

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

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

26 June 2016

Notes:

1. The maintenance and integrity of the Digital Barriers plc website 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 website.
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 2016

	Note	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Continuing operations			
Revenue	2	**21,136**	11,942
Cost of sales		**(10,619)**	(6,787)
Gross profit		**10,517**	5,155
Administration costs		**(17,500)**	(17,652)
Other costs	4	**(1,718)**	(6,353)
Operating loss	3	**(8,701)**	(18,850)
Finance revenue	6	**227**	45
Finance costs	7	**(32)**	–
Loss before tax from continuing operations		**(8,506)**	(18,805)
Income tax	8	**716**	785
Loss after tax from continuing operations attributable to owners of the parent		**(7,790)**	(18,020)
Discontinued operations			
(Loss)/profit from discontinued operation (net of tax)	26	**(4,832)**	108
Loss for the year		**(12,622)**	(17,912)
Adjusted loss:	4		
Loss before tax from continuing operations		**(8,506)**	(18,805)
Amortisation of intangibles initially recognised on acquisition		**1,320**	1,435
Share-based payment charge		**792**	438
Acquisition related costs and exceptional write off of bad debt		**1,718**	–
Loss on disposal of businesses		**–**	103
Impairment of goodwill		**–**	6,250
Adjusted loss before tax for the year from continuing operations		**(4,676)**	(10,579)
Loss per share – continuing operations			
Loss per share – basic	9	**(7.42p)**	(26.00p)
Loss per share – diluted	9	**(7.42p)**	(26.00p)
Loss per share – adjusted*	9	**(3.82p)**	(14.27p)
Loss per share – adjusted diluted*	9	**(3.82p)**	(14.27p)
Loss per share – continuing and discontinued operations			
Loss per share – basic	9	**(12.01p)**	(25.85p)
Loss per share – diluted	9	**(12.01p)**	(25.85p)

* As explained in note 4, the basis of calculation has been adjusted to include share-based payment charges. Comparative figures have been updated to incorporate this change.

Consolidated statement of comprehensive income
for the year ended 31 March 2016

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Loss for the year from continuing operations	**(7,790)**	(18,020)
(Loss)/profit for the year from discontinued operations	**(4,832)**	108
Loss for the year attributable to owners of the parent	**(12,622)**	(17,912)
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	**123**	(656)
Net other comprehensive income to be reclassified to profit or loss in subsequent years	**123**	(656)
Total comprehensive loss attributable to owners of the parent	**(12,499)**	(18,568)

Consolidated statement of financial position
at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000**
Assets			
Non-current assets			
Property, plant and equipment	10	**828**	683
Goodwill	11	**23,323**	18,186
Other intangible assets	12	**11,397**	2,092
		35,548	20,961
Current assets			
Inventories	13	**4,906**	4,499
Trade and other receivables	14	**13,239**	8,869
Other financial asset	20	**193**	–
Current tax recoverable		**1,022**	1,513
Cash and cash equivalents	20	**25,599**	17,407
		44,959	32,288
Non-current assets classified as held for sale	26	**35**	–
Total assets		**80,542**	53,249
Equity and liabilities			
Attributable to owners of the parent			
Equity share capital	17	**1,760**	845
Share premium		**109,078**	82,757
Capital redemption reserve		**4,786**	4,786
Merger reserve		**454**	454
Translation reserve		**(745)**	(868)
Other reserves		**(307)**	(307)
Retained earnings		**(60,656)**	(48,826)
Total equity		**54,370**	38,841
Non-current liabilities			
Deferred tax liabilities	8	**57**	116
Financial liabilities	16	**975**	–
Provisions	22	**119**	134
		1,151	250
Current liabilities			
Trade and other payables	15	**9,126**	5,261
Financial liabilities	16	**1,097**	163
Bank overdraft*	20	**14,763**	8,706
Provisions	22	**35**	28
		25,021	14,158
Liabilities directly associated with non-current assets classified as held for sale	26	**–**	–
Total liabilities		**26,172**	14,408
Total equity and liabilities		**80,542**	53,249
***Net cash and cash equivalents (grossed up above in accordance with IAS 32).**		**10,836**	8,701

** Restated for gross up of cash and bank overdraft position in accordance with IAS 32.

The financial statements on pages 43 to 78 were approved by the Board of Directors on 26 June 2016 and were signed on its behalf by:

Zak Doffman
Chief Executive Officer

Sharon Cooper
Chief Financial Officer

Consolidated statement of changes in equity
for the year ended 31 March 2016

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Other reserves £'000	Profit and loss reserve £'000	Total equity £'000
At 31 March 2014	646	75,879	4,786	454	(212)	(307)	(31,352)	49,894
Loss for the year	–	–	–	–	–	–	(17,912)	(17,912)
Other comprehensive loss	–	–	–	–	(656)	–	–	(656)
Total comprehensive loss	–	–	–	–	(656)	–	(17,912)	(18,568)
Share placement	199	7,151	–	–	–	–	–	7,350
Share issue costs	–	(273)	–	–	–	–	–	(273)
Share-based payment credit	–	–	–	–	–	–	438	438
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**

Consolidated statement of cash flows
for the year ended 31 March 2016

	Note	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Operating activities			
Loss before tax		**(13,338)**	(18,697)
Non-cash adjustment to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	10	**415**	630
Amortisation of intangible assets	12	**1,530**	1,971
Impairment of goodwill	11	**3,582**	6,250
Impairment of intangible assets	12	**37**	–
Share-based payment transaction expense	18	**792**	438
Unrealised loss/(gains) on foreign exchange		**42**	(95)
Disposal of fixed assets	10	**15**	56
Finance income	6	**(227)**	(45)
Finance costs	7	**32**	–
Working capital adjustments:			
Increase in trade and other receivables		**(2,452)**	(1,262)
Decrease/(increase) in inventories		**2,088**	(604)
Decrease in trade and other payables		**(1,047)**	(62)
Increase/(decrease) in deferred revenue		**300**	(285)
Decrease in provisions		**(8)**	(419)
Cash utilised in operations		**(8,239)**	(12,124)
Interest paid		**(32)**	–
Tax received		**1,146**	3
Net cash flow from operating activities		**(7,125)**	(12,121)
Investing activities			
Purchase of property, plant and equipment	10	**(375)**	(532)
Expenditure on intangible assets	11	**(12)**	(3)
Payment of deferred consideration	19	**–**	–
Interest received		**27**	45
Acquisition of subsidiary, net of debt acquired	19	**(17,511)**	–
Net cash flow utilised in investing activities		**(17,871)**	(490)
Financing activities			
Proceeds from issue of shares	17	**28,200**	7,350
Share issue costs		**(1,073)**	(273)
Net cash flow from financing activities		**27,127**	7,077
Net increase/(decrease) in cash and cash equivalents		**2,131**	(5,534)
Net cash and cash equivalents at beginning of year		**8,701**	14,246
Effect of foreign exchange rate changes on cash and cash equivalents		**4**	(11)
Net cash and cash equivalents at end of year		**10,836**	8,701

Reconciliation of net cash and cash equivalents		
Cash and cash equivalents (disclosed within current assets)	**25,599**	17,407
Bank overdraft (disclosed within current liabilities)	**(14,763)**	(8,706)
Net cash and cash equivalents at end of year	**10,836**	8,701

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 2016 and applied in accordance with the Companies Act 2006.

The Financial Statements were authorised for issue by the Board of Directors on 26 June 2016 and the Statement of Financial Position was signed on the Board's behalf by Zak Doffman 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.

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). The comparative statement of financial position has been restated to gross up cash and cash equivalent balances and bank overdraft positions (all held within a pooling arrangement within the Group) in accordance with IAS 32.

Basis of measurement
Going concern
The Group's loss before tax for continuing operations for the year was £8.5 million (2015: £18.8 million). As at 31 March 2016 the Group had net current assets of £19.9 million (2015: £18.1 million) and net cash reserves of £10.8 million (2015: £8.7 million).

In April 2015 the Group entered into an agreement with HSBC Bank plc for a £5.0 million secured working capital facility to provide pre and post-shipment finance in relation to export activities across the Group. The facility is partially guaranteed by the UK Export Finance Guarantees Department. The interest rate for any borrowings under this facility is 3% over the bank's Sterling base rate. The facility was reviewed and renewed in September 2015 as part of the annual review of our wider banking facilities with HSBC Bank plc. There are no indications that the facility (along with our wider banking facilities) will not be renewed again in September and as a result this facility has been factored into cash flow projections for the Group. Should the facility not be renewed in September, mitigating actions can be taken to manage our cash flows.

The Board has reviewed these cash flow forecasts for the period up to and including 30 September 2017. 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 resources. The Directors therefore believe there is sufficient cash available to the Group to manage through these requirements.

As with all businesses, there are particular times of the year where the Group's working capital requirements are at their peak. However, the Group is well placed to manage business risk effectively and the Board reviews the Group's performance against budgets and forecasts on a regular basis to ensure action is taken where needed.

The Directors therefore are satisfied that the Group has adequate resources to continue operating for a period of at least 12 months from the approval of these accounts. For this reason they have adopted the going concern basis in preparing the financial statements.

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 2016.

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.

1. Accounting policies continued

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 3R 'Business Combinations' goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3R also requires the identification of other intangible assets acquired. The method used to value intangible assets is the 'Income Approach' which requires the use of 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.

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) 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 2015.

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

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

1. Accounting policies continued

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.

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

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

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 – one to seven years;

Patents – eight years; and

Trademarks – ten years.

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

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

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

Revenue 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.

1. Accounting policies continued

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.

We also evaluate the presentation of revenue on a gross versus a net basis. 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.

Trade and other receivables
Trade receivables are recognised and measured at their original invoiced amount less provision for any uncollectable 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.

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.

Reorganisation costs
Reorganisation costs are items that are material, of a similar type, and which, due to their nature, are presented separately to assist users of the financial statements in assessing the trading performance of the Group's businesses either year on year or with other businesses.

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.

1. Accounting policies continued

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.

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 (2015: £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. 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.

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.

1. Accounting policies continued

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.

Whilst a cash pooling arrangement exists 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 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.

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.

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

Certain of the Executive Directors have been issued an aggregate of 217,500 Incentive Shares. The Incentive Shares only reward participants if shareholder value is created, thereby aligning the interests of the Executive Directors with those of shareholders. The Incentive Shares carry the right to 12.5% of any increase in the value of the Company in excess of the retail prices index after 1 February 2010 (as described in note 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.

1. Accounting policies continued

At a General Meeting held on 27 December 2012, the terms relating to the Incentive Shares were changed, triggering a revaluation. The total amount to be expensed over the vesting period of the modified Incentive Shares has been calculated in the year by reference to the incremental fair value on 27 December 2012 of the modified Incentive Shares compared to the fair value on 27 December 2012 of the original Incentive Shares. This resulted in a charge to the Consolidated income statement in the year of £35,000 (2015: £64,000).

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 2016.

The IASB have issued amendments to six standards under Annual improvement 2010–2012 cycle, and amendments to three standards under Annual improvement 2011–2013 cycle which were effective for annual periods beginning on or after 1 July 2014. These have been applied and none have had a material effect on the Group's performance or financial position.

The IASB have further issued amendments to four standards under Annual improvement 2012–2014 cycle together with amendments to IAS 1. These amendments have an effective date after the date of these financial statements (1 January 2016) and have not been early adopted by the Group. The Directors do not anticipate that the adoption of these standards, interpretations and amendments will have a material impact on the Company's financial statements in the period of initial application.

The Directors are still evaluating the impact on the Group of IFRS 15 – Revenue from contracts with customers, which becomes effective for annual periods beginning on or after 1 January 2018 and IFRS 16 – Leases, which becomes effective for annual periods beginning on or after January 2019.

2. Segmental information

During the year the Group has been organised into 'Services' and 'Solutions' (previously known as 'Products') divisions for internal management, reporting and decision-making, based on the nature of the products and services of the Group's businesses. Managers have been appointed within Services and Solutions, who report to members of the Board. These are the reportable operating segments in accordance with IFRS 8 'Operating Segments'.

The Group's Services division is predominantly focused on the UK market and integrates third party technology and own product into UK Services customers. The Services division is established with a number of key UK Government organisations in the secure government, law enforcement and transportation sectors. As announced on 1 April 2016, the Board believes that the Services division is no longer strategic to the Group, and has signed an agreement for the disposal of the business. The sale completed on 19 May 2016. Full details are provided in note 26.

The Group's Solutions division is focused on the advanced surveillance market. This covers image and data capture (for example, standoff passive body scanning and unattended ground sensors), a range of processing and enhancement techniques (for example, thermal image processing, image stabilisation, and enhancing low light performance), image transmission (both wired and wireless technologies) and a range of analytics algorithms.

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

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 revenue) and income taxes are managed centrally and are not allocated to an operating segment. No operating segments have been aggregated to form the above reportable segments.

2. Segmental information continued

	Services (discontinued) 2016 £'000	Solutions (continuing) 2016 £'000	Central (continuing) 2016 £'000	Total 2016 £'000
Total segment revenue	**3,777**	**21,427**	**–**	**25,204**
Inter-segment revenue	**–**	**(291)**	**–**	**(291)**
Revenue	**3,777**	**21,136**	**–**	**24,913**
Depreciation	**66**	**349**	**–**	**415**
Segment adjusted operating loss	**(565)**	**(1,277)**	**(3,594)**	**(5,436)**
Amortisation of intangibles initially recognised on acquisition	**(120)**	**(1,320)**	**–**	**(1,440)**
Share-based payment charge	**–**	**–**	**(792)**	**(792)**
Acquisition related costs and exceptional write off of bad debt	**–**	**–**	**(1,718)**	**(1,718)**
Exit costs attributable to discontinued operations	**(528)**	**–**	**–**	**(528)**
Impairment of goodwill and intangibles	**(3,619)**	**–**	**–**	**(3,619)**
Segment operating loss	**(4,832)**	**(2,597)**	**(6,104)**	**(13,533)**
Loss attributable to discontinued operations				**4,832**
Operating loss attributable to 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)**

	Services (discontinued) 2015 £'000	Solutions (continuing) 2015 £'000	Central (continuing) 2015 £'000	Total 2015 £'000
Total segment revenue	7,460	12,272	–	19,732
Inter-segment revenue	–	(330)	–	(330)
Revenue	7,460	11,942	–	19,402
Depreciation	55	575	–	630
Segment adjusted operating profit/(loss)	538	(7,046)	(3,578)	(10,086)
Amortisation of intangibles initially recognised on acquisition	(430)	(1,435)	–	(1,865)
Share-based payment charge	–	–	(438)	(438)
Loss on disposal of businesses	–	(103)	–	(103)
Impairment of goodwill	–	(6,250)	–	(6,250)
Segment operating profit/(loss)	108	(14,834)	(4,016)	(18,742)
Profit attributable to discontinued operations				(108)
Operating loss attributable to continuing operations				(18,850)
Finance income				45
Loss before tax from continuing operations				(18,805)
Income tax credit				785
Loss for the year from continuing operations				(18,020)

Analysis of revenue by customer

There have been three (2015: none) individually material customers in the Solutions operating segment during the year. These customers individually represented £2,763,000, £2,628,000 and £2,200,000 of Group turnover for the year.

There have been no (2015: one) material customers in the Services operating segment during the year. In the prior year the customer represented £3,062,000 of Group turnover for the year.

2. Segmental information continued

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.

	2016 £'000	2015 £'000
United Kingdom	**3,108**	4,849
United States of America	**5,340**	1,536
Indonesia	**3,996**	333
Malaysia	**2,962**	43
Rest of World	**5,730**	5,181
	21,136	11,942

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

	2016 £'000	2015 £'000
United Kingdom	**16,126**	20,961
United States of America	**19,422**	–
	35,548	20,961

3. Group operating loss

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

	2016 £'000	2015 £'000
Operating lease rentals – land and buildings	**597**	529
Research and development costs	**3,019**	2,603
Depreciation of property, plant and equipment	**349**	575
Amortisation of intangible assets initially recognised on acquisition	**1,320**	1,435
Amortisation of other intangibles	**90**	104
Exchange differences	**(216)**	(218)

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

	2016 £'000	2015 £'000
Audit services		
Fees payable to the Company's auditor for the audit of the financial statements	**133**	86
The audit of the Company's subsidiaries	**35**	32
	168	118
Non-audit services		
Fees payable to the Company's auditor for audit-related assurance services	**18**	30
Tax compliance services	**32**	33
Tax advisory services	**42**	10
Other assurance services	**60**	–
	152	73

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

	2016 £'000	2015 £'000
Amortisation of intangibles initially recognised on acquisition	**1,320**	1,435
Share-based payment charge(i)	**792**	438
Acquisition related costs and exceptional write off of bad debt(ii)	**1,718**	–
Loss on disposal of businesses(iii)	**–**	103
Impairment of goodwill and intangibles (note 11 & 12)(iv)	**–**	6,250
Total adjustments	**3,830**	8,226

(i) The basis of calculation has been updated to adjust for share-based payment charges. The Directors consider this to be a more helpful measure in understanding the true underlying costs of the business. The performance condition associated with LTIP awards made in 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 revised calculation provides consistency over time allowing a better understanding of the financial position of the Group.

(ii) 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.

(iii) During the year ended 31 March 2015 Margaux Matrix Limited and Visimetrics (UK) Limited, two wholly-owned subsidiaries, were each disposed of for £1 consideration.

(iv) During the year ended 31 March 2015 a £6.25 million non-cash impairment charge has been recorded against the carrying value of goodwill within the Solutions division and has been separately disclosed within Other Costs in the Consolidated income statement. This impairment reflects a period of product development, which has delayed the Group's ability to leverage value from the integrated businesses in the expected timeframes, along with delays in sales cycles as reported to the market by the Group on 11 August 2014. Further detail is given in note 11.

5. Employees

	At 31 March 2016	At 31 March 2015
Continuing operations	**157**	117
Discontinued operations	**32**	33
	189	150

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

	Average 2016	**At 31 March 2016**	Average 2015	At 31 March 2015
Directors	**6**	**6**	6	6
Business units	**142**	**153**	111	115
Corporate	**29**	**30**	29	29
	177	**189**	146	150

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

	2016 £'000	2015 £'000
Salaries and short-term employee benefits	**9,424**	9,193
Social security costs	**1,209**	1,398
Pension costs	**205**	164
Share-based payment charge (note 18)	**792**	438
	11,630	11,193

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

6. Finance revenue

	2016 £'000	2015 £'000
Bank interest receivable	**34**	45
Gain on forward contract measured at fair value through income statement	**193**	–
	227	45

7. Finance costs

	2016 £'000	2015 £'000
Bank interest payable	**2**	–
Foreign exchange loss on intercompany loan	**30**	–
	32	–

8. Taxation on ordinary activities

	2016 £'000	2015 £'000
Current tax		
Corporation tax	**(465)**	(400)
Adjustment in respect of prior year	**(186)**	(275)
Overseas tax	**(6)**	(32)
	(657)	(707)
Deferred tax		
Origination and reversal of temporary differences	**(59)**	(94)
Adjustment in respect of prior year	**–**	16
	(59)	(78)
Total tax credit for the year	**(716)**	(785)

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:

	2016 £'000	2015 £'000
Loss before tax from continuing operations	**(8,506)**	(18,805)
Tax at the UK corporation tax rate of 20% (2015: 21%)	**(1,701)**	(3,949)
Tax effects of:		
Prior year adjustments	**(186)**	(259)
Expenses not deductible for tax purposes	**32**	47
Deferred tax movements on amortisation of acquired intangible assets	**152**	136
Unrecognised deferred tax movements on depreciation in excess of capital allowances	**64**	116
Unrecognised deferred tax movements on share-based payment charge	**158**	92
Non-deductible impairment of goodwill	**–**	1,313
Unrecognised deferred tax movements on unrelieved tax losses carried forward net of losses used against deferred tax liabilities	**955**	1,910
Difference in foreign tax rate	**32**	–
Impact of research and development credits	**(222)**	(191)
Total tax credit for the period	**(716)**	(785)

8. Taxation on ordinary activities continued

Deferred taxation

Deferred tax included in the income statement is as follows:

	2016 £'000	2015 £'000
Other intangibles	**(59)**	(78)

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

	2016 £'000	2015 £'000
At beginning of the year	**(116)**	(194)
Prior year adjustments	**–**	(16)
Origination and reversal of temporary differences	**59**	94
At end of the year	**(57)**	(116)

The deferred tax amount of £57,000 (2015: £116,000) represents £217,000 (2015: £296,000) relating to acquired intangible assets less an offset of £160,000 (2015: £180,000) relating to tax losses.

Unrecognised deferred tax assets

	2016 £'000	2015 £'000
Tax losses	**10,964**	9,832

Unrelieved tax losses amount to approximately £55.5 million (2015: £47.5 million), which are available indefinitely for offset against future taxable trading profits. A deferred tax asset has not been recognised on £55.3 million (2015: £46.6 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 2016 £'000	Weighted average number of shares 2016 No.	Loss per share 2016 Pence	Loss after taxation 2015 £'000	Weighted average number of shares 2015 No.	Loss per share 2015 Pence
Basic loss per share – continuing operations	**(7,790)**	**105,052,916**	**(7.42)**	(18,020)	69,305,105	(26.0)
Diluted loss per share – continuing operations	**(7,790)**	**105,052,916**	**(7.42)**	(18,020)	69,305,105	(26.0)
Basic loss per share – continuing and discontinued operations	**(12,622)**	**105,052,916**	**(12.01)**	(17,912)	69,305,105	(25.85)
Diluted loss per share – continuing and discontinued operations	**(12,622)**	**105,052,916**	**(12.01)**	(17,912)	69,305,105	(25.85)

Adjusted loss per share

	Loss after taxation 2016 £'000	Weighted average number of shares 2016 No.	Loss per share 2016 Pence	Loss after taxation 2015 £'000	Weighted average number of shares 2015 No.	Loss per share 2015 Pence
Loss from continuing operations attributable to ordinary shareholders	**(7,790)**	**105,052,916**	**(7.42)**	(18,020)	69,305,105	(26.0)
Add back:						
Amortisation of acquired intangible assets, net of tax	**1,264**	**–**	**1.20**	1,341	–	1.93
Share-based payment charge*	**792**	**–**	**0.75**	438	–	0.63
Acquisition related costs and exceptional write off of bad debt	**1,718**	**–**	**1.64**	–	–	–
Disposal of businesses	**–**	**–**	**–**	103	–	0.15
Impairment of goodwill	**–**	**–**	**–**	6,250	–	9.02
Basic adjusted loss per share	**(4,016)**	**105,052,916**	**(3.82)**	(9,888)	69,305,105	(14.27)
Diluted adjusted loss per share	**(4,016)**	**105,052,916**	**(3.82)**	(9,888)	69,305,105	(14.27)

* The basis of calculation has been adjusted to include share-based payments charges. Comparative figures have been updated to incorporate this change. The impact of this change is to increase the adjusted loss per share by 0.75 pence in the current year (2015: 0.63 pence).

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

The inclusion of potential Ordinary Shares arising from LTIPs and Incentive Shares would be anti-dilutive. Basic and diluted loss per share has therefore been calculated using the same weighted number of shares. If the Incentive Shares had become convertible on 31 March 2016 and based on the share price of £0.475 (2015: £0.385) on that day, no (2015: no) 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 2014	275	412	307	6	1,264	2,264
Additions	244	1	56	–	231	532
Reclassifications	–	(152)	(50)	–	–	(202)
Disposals	(18)	(45)	(3)	–	(31)	(97)
Exchange movements	7	(68)	87	–	(7)	19
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)
Reclassification	(68)	374	(83)	10	122	355
Exchange movements	1	–	6	–	(4)	3
At 31 March 2016	**519**	**552**	**410**	**52**	**1,779**	**3,312**
Accumulated depreciation						
At 31 March 2014	105	95	95	3	858	1,156
Charge for the year	68	56	138	–	368	630
Retirements	(6)	(17)	(4)	–	(14)	(41)
Exchange movements	8	5	77	–	(2)	88
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**
Net book value						
At 31 March 2016	**242**	**99**	**137**	**35**	**315**	**828**
At 31 March 2015	333	9	91	3	247	683

11. Goodwill

	Goodwill £'000
At 31 March 2014	24,802
Impairment of goodwill	(6,250)
Exchange movements	(366)
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**

11. Goodwill continued

Carrying amount of goodwill allocated to operating segments

	2016 £'000	2015 £'000
Services	**–**	3,582
Solutions	**23,323**	14,604
	23,323	18,186

Goodwill acquired through business combinations has been allocated for impairment testing purposes to two groups of cash-generating Units ('CGUs'). These groups of CGUs are its two operating segments 'Services' and 'Solutions' (previously known as 'Products') as the goodwill relates to synergies at this level. The Group conducts annual impairment tests on the carrying value of the CGUs in the 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.

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 the Board signed an agreement for the proposed disposal of the business for nominal consideration. Consequently the recoverable amount of the Services CGU is 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. A charge of £3,582,000 has been included in the loss attributable to discontinued operations.

The Group carries out its annual impairment testing for the Solutions (and historically for the Services) division as at 28 February each year. Impairment testing is only re-performed if an impairment triggering event occurs in the intervening period.

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 Solutions. 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:

	Solutions		Services
	2016	2015	2015
Revenue growth compound from FY16 to FY19 (years one to three)(i)	**40%**	46%	0%
Revenue growth from FY20 onwards (year four onwards)(ii)	**2.5%**	2.5%	2.5%
Gross margin improvement compound from FY16 to FY19 (years one to three)(iii)	**1%**	8%	0%
Discount rate(iv)	**10.6%**	10.6%	10.0%

(i) 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.

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

(iii) Gross margin is forecast to improve marginally against FY16 as the product mix continues to evolve through the next three years to include a greater proportion of software sales.

(iv) 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.

No impairment loss arises in the year ended 31 March 2016 for Solutions based on these base assumptions. In the year ended 31 March 2015 an impairment test was performed on the carrying value of Solutions division as at 30 September 2014 in addition to the annual impairment testing date. The 30 September impairment review was based on revenue growth in years two and three forecast at 40% and 20% per annum respectively, with revenue growth of 2.5% assumed from year four onwards, being an external estimate of the UK's long-term growth rate. A discount rate of 11.6% was applied. Based on these assumptions the recoverable amount was determined to be £24.5 million and an impairment charge of £6.25 million arose. No further impairment loss arose for Solutions based on the assumptions detailed in the tables above for the 28 February impairment review.

11. Goodwill continued

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

	Solutions	
	2016	2015
Reduction in forecast revenue growth compound from FY16 to FY19 (years one to three)	**-9%**	-5%
Reduction in forecast revenue growth FY20 onwards (year four onwards)	**-2.5%**	-2.5%
Increase in discount rate(iv)	**2.5%**	2.5%

If these assumptions were to change in isolation, they would not result in an impairment charge of goodwill. The same applied to the prior year assumptions. 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 the recoverable amount of Solutions goodwill being equal to the carrying amount (a reduction in the headroom from £17.5 million to £nil). In the prior year an absolute reduction in the forecast revenue growth of 7% (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 £14.4 million to £nil).

If all key assumptions were to change in combination, a further impairment charge would be recognised for the current carrying value of goodwill in relation to the Solutions segment.

Following the completion of the fair value exercise ('the acquisition accounting') as further disclosed in note 19, goodwill of £8.3 million was recognised on acquisition of Brimtek Inc. The acquisition completed on 1 March 2016 and the acquisition accounting was performed subsequent to the annual impairment testing date. A further impairment review was not performed as there were no indicators of impairment on the goodwill attributable to Brimtek Inc. The acquisition accounting will be further reviewed in the coming year.

12. Other intangible assets

	Patents and Trademarks £'000	Intellectual property & Software £'000	Order backlog £'000	Customer relationships £'000	Total £'000
Cost					
At 31 March 2014	218	5,854	663	5,253	11,988
Purchased	–	3	–	–	3
Reclassifications	–	202	–	–	202
Exchange movements	–	13	–	–	13
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**

12. Other intangible assets continued

	Patents and Trademarks £'000	Intellectual property & Software £'000	Order backlog £'000	Customer relationships £'000	Total £'000
Accumulated amortisation					
At 31 March 2014	71	3,638	555	3,867	8,131
Charge for the year	27	972	62	910	1,971
Exchange movement	–	12	–	–	12
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**
Net book value					
At 31 March 2016	**221**	**588**	**186**	**10,402**	**11,397**
At 31 March 2015	120	1,450	46	476	2,092

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 2016 £'000	**Remaining useful life Years 2016**	Carrying value 2015 £'000	Remaining useful life Years 2015
Brimtek customer relationships	**10,367**	**11.9**	–	–
Brimtek trademark	**136**	**3.9**	–	–
Brimtek order backlog	**186**	**0.2**	–	–
Keeneo intellectual property	**162**	**4.0**	202	5.0
COE customer relationships	**–**	**–**	60	0.4
Waterfall Solutions customer relationships	**–**	**–**	62	0.6
EVS customer relationships	**–**	**–**	181	0.9
Waterfall Solutions intellectual property	**–**	**–**	35	0.6
Zimiti intellectual property	**54**	**0.2**	375	1.2
Keeneo development costs	**–**	**–**	14	2.5
ThruVision intellectual property	**95**	**0.9**	196	1.9
Omniperception intellectual property	**222**	**1.8**	349	2.8

13. Inventories

	2016 £'000	2015 £'000
Raw materials	**1,102**	1,323
Work in progress	**61**	272
Finished goods and goods for resale	**3,743**	2,904
	4,906	4,499

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

	2016 £'000	2015 £'000
Opening provision	**440**	430
Released	**–**	(205)
Increase to provision (charged to cost of sales during year)	**215**	215
Closing provision	**655**	440

14. Trade and other receivables

	Gross carrying amounts 2016 £'000	**Provision for impairment 2016 £'000**	**Net carrying amounts 2016 £'000**	Gross carrying amounts 2015 £'000	Provision for impairment 2015 £'000	Net carrying amounts 2015 £'000
Trade receivables	**11,814**	**(431)**	**11,383**	9,112	(1,208)	7,904
Prepayments	**780**	**–**	**780**	439	–	439
Accrued income	**339**	**–**	**339**	350	–	350
Social security and other taxes	**581**	**–**	**581**	–	–	–
Other receivables	**156**	**–**	**156**	176	–	176
	13,670	**(431)**	**13,239**	10,077	(1,208)	8,869

The Group's credit risk on trade and other receivables is primarily attributable to trade receivables and amounts recoverable on contracts. One customer represents £2,648,000 (2015: £989,000) of the Group's trade receivables at 31 March 2016. 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:

	2016 £'000	2015 £'000
Government customers	**3,745**	1,370
Commercial customers	**7,638**	6,534
	11,383	7,904

Trade receivables of £2,410,000 (2015: £1,225,000) were past due but not impaired; trade receivables of £64,000 (2015: £498,000) 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 2014	499
Provided in period	930
Utilised	(221)
At 31 March 2015	1,208
Provided in period	128
Utilised	(767)
Released	(178)
Foreign exchange	40
At 31 March 2016	**431**

Trade receivables, net of an allowance of £431,000 (2015: £1,208,000) for doubtful debts, are aged as follows:

	2016 £'000	2015 £'000
Not due	**8,909**	6,181
Not more than three months past due	**693**	985
More than three months but not more than six months past due	**150**	110
More than six months past due	**1,631**	628
	11,383	7,904

The Group experiences credit risk which reflects its early stage of development into international markets, as reflected in the provision for doubtful debts and ageing analysis. As the Group further establishes itself and its products into new and existing geographies, so its exposure to credit risk is expected to reduce.

15. Trade and other payables

	2016 £'000	2015 £'000
Current		
Trade payables	**4,833**	3,100
Accruals	**2,737**	1,296
Deferred income	**774**	419
Social security and other taxes	**441**	279
Other payables	**341**	167
	9,126	5,261

In April 2015 the Group entered into an agreement with HSBC Bank plc for a £5.0 million secured working capital facility to provide pre and post-shipment finance in relation to export activities across the Group. The facility is partially guaranteed by the UK Export Finance Guarantees Department. The interest rate for any borrowings under this facility is 3% over the bank's Sterling base rate. The facility was reviewed and renewed as part of our wider annual banking facility review with HSBC Bank plc in September. The facility was not being utilised at 31 March 2016, but at time of approval of the financial statements is £600,000 (2015: £nil).

16. Financial liabilities

	2016 £'000	2015 £'000
Current		
Incentive shares	**54**	163
Deferred consideration	**1,043**	–
	1,097	163
Non-current		
Deferred consideration	**975**	–

No (2015: no) Incentive shares were converted into Ordinary Shares (2015: nil), but 108,749 were converted into Deferred Shares. Further details on the Incentive Shares are provided in note 18.

The movement in the provision for deferred consideration is shown in note 19c.

17. Share capital

	Number	£'000
Authorised, allotted, called-up and fully paid		
Ordinary Shares of 1 pence each		
At 31 March 2014	64,624,616	646
Shares issued in the year	19,864,865	199
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**

	Number	£'000
Authorised, allotted, called-up and fully paid		
Incentive Shares of £1 each		
At 31 March 2015	163,124	163
At 31 March 2016	**54,375**	**54**

Authorised, allotted, called-up and fully paid		
Deferred Shares of £1 each		
At 31 March 2015	–	–
At 31 March 2016	**108,749**	**109**

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 June 2015, share options were exercised resulting in the issue of 45,329 Ordinary Shares.

Of the 163,124 Incentive Shares outstanding as at 31 March 2015, 108,749 did not convert into Ordinary Shares on the conversion date during the year. 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 this date. The balance of 54,375 shares remain capable of conversion.

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 34. 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.

18. Employee share schemes continued

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) in the period to 1 April 2017 to 31 March 2018. 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.

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.

Sharesave Scheme
During the prior year the Group put 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. In July 2014 603,533 options were granted under the Sharesave Scheme at a grant price of £0.96. There are no cash settlement alternatives.

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 2014	456,845	1.691	456,845	nil
Granted	316,283	1.195	316,283	nil
Exercised	–	–	–	–
Forfeited	(201,686)	1.625	(201,686)	nil
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**
Exercisable at 31 March 2015	46,864	1.56	46,864	nil
Exercisable at 31 March 2016	**13,353**	**1.56**	**13,353**	**nil**

	HMRC Approved Options	Parallel Options
For the year ended 31 March 2016:		
Range of exercise prices	£0.365 – £1.85	nil
Weighted average remaining contractual life	8.91 years	8.91 years
For the period ended 31 March 2015:		
Range of exercise prices	£1.195 – £1.850	nil
Weighted average remaining contractual life	8.31 years	8.31 years

18. Employee share schemes continued

	Top-Up Awards		Sharesave Scheme	
	Number of options*	Weighted average exercise price £	Number of awards	Weighted average exercise price £
Outstanding at 31 March 2014	1,247,298	nil	–	–
Granted	1,572,388	nil	603,533	0.96
Exercised	–	–	–	–
Forfeited	(619,264)	nil	(46,500)	0.96
Outstanding at 31 March 2015	**2,200,422**	**nil**	**557,033**	**0.96**
Granted	3,315,531	nil	–	–
Exercised(i)	(11,818)	–	–	–
Forfeited	(575,047)	nil	(109,348)	0.96
Outstanding at 31 March 2016	**4,929,088**	**nil**	**447,685**	**0.96**
Exercisable at 31 March 2015	23,636	nil	–	–
Exercisable at 31 March 2016	**11,818**	**nil**	**–**	**–**
For the year ended 31 March 2016:				
Range of exercise prices	nil		£0.96	
Weighted average remaining contractual life	8.83 years		1.75 years	
For the period ended 31 March 2015:				
Range of exercise prices	nil		£0.96	
Weighted average remaining contractual life	8.65 years		2.75 years	

(i) share price at the date of exercise was 36.5p

* 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.

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 12 June 2014	Parallel Options 12 June 2014	Top-Up awards 12 June 2014	Sharesave Options 8 July 2014
Number granted	316,283	316,283	1,572,388	603,533
Fair value per option/award	£0.26	£0.46	£0.72	£0.25
Share price on date of grant	£1.195	£1.195	£1.195	£1.04
Exercise price	£1.195	nil	nil	£0.96
Vesting period (years)	3.0	3.0	3.0	3.0
Volatility	30.3%	30.3%	30.3%	29.9%
Risk-free rate of return	1.14%	n/a	n/a	1.30%
Expected life (years)	3.0	3.0	3.0	3.25
Expected dividend yield	nil	nil	nil	nil

18. Employee share schemes continued

	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

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

A charge of £757,000 (2015: £374,000) has been made in the consolidated income statement to spread the fair value of the awards over the three year service obligations of these incentives.

Employee Benefit Trust
The Digital Barriers plc Employee Benefit Trust's (the 'Trust') objective is to hold shares in Digital Barriers plc to satisfy awards under the Long Term Incentive Plan. Costs of running the Trust are charged to the income statement. Shares held by the Trust are deducted from the profit and loss reserve and held at cost to the Trust. At 31 March 2016 the Trust did not hold any shares in the Company (2015: 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.

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 £35,000 (2015: £64,000).

18. Employee share schemes continued

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

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

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 2016 (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 2015 and 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 on-going 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.

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
Total consideration	**19,523**

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

In accordance with IFRS 3R 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. 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 has been estimated based on a weighted average probability calculation, with probability distributions applied to various revenue and gross margin ranges. The deferred consideration payable is 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.

19. Business combinations continued

Total acquisition costs of £1.7 million were incurred 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
Property, plant and equipment	202	202
Intangible assets	7	11,190
Trade and other receivables*	1,906	1,906
Inventories	2,530	2,530
Debt	(68)	(68)
Trade and other payables	(4,546)	(4,546)
Total net assets acquired	**31**	**11,214**
Goodwill		**8,309**
Purchase consideration		**19,523**

* 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.

Given the proximity of the acquisition to the year end, the fair value of assets and liabilities arising from the acquisition are still considered to be provisional as the Group expects to receive further information relevant to the net assets acquired.

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. Subject to further review, the goodwill recognised is expected to be 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) Business disposals in the year ended 2015
On 8 May 2014, a Group company concluded a share purchase agreement for the sale of the entire issued share capital of Margaux Matrix Limited for £1 consideration. The impact of this transaction is not material to the Group and the Group did not sell any intellectual property as part of the transaction.

On 24 September 2014, a Group company concluded a share purchase agreement for the sale of the entire issued share capital of Visimetrics (UK) Limited for £1 consideration. The impact of this transaction is not material to the Group and the Group did not sell any intellectual property as part of the transaction.

On 1 April the Board signed an agreement for the proposed disposal of the Services segment to its existing management team for £1. See note 26 for further details.

c) 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**

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

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 2016 £'000**	Amortised cost 2015 £'000
Assets as per statement of financial position			
Trade receivables	14	**11,383**	7,904
Accrued income	14	**339**	350
Other receivables	14	**737**	176
Financial instrument		**193**	–
Cash and cash equivalents*		**25,599**	17,407
		38,251	25,837

	Note	**On demand or less than one year 2016 £'000**	**One to two years 2016 £'000**	**Total 2016 £'000**	On demand or less than one year 2015 £'000	One to two years 2015 £'000	Total 2015 £'000
Liabilities							
Trade payables	15	**4,833**	**–**	**4,833**	3,100	–	3,100
Accruals	15	**2,737**	**–**	**2,737**	1,296	–	1,296
Other payables	15	**341**	**–**	**341**	167	–	167
Bank overdraft*	–	**14,763**	**–**	**14,763**	8,706	–	8,706
Incentive Shares	16	**54**	**–**	**54**	163	–	163
Deferred consideration	19c	**1,043**	**975**	**2,018**	–	–	–
		23,771	**975**	**24,746**	13,432	–	13,432

* Whilst a cash pooling arrangement exists 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 is not deemed that these arrangements qualify for net presentation. HSBC Bank plc have a right to offset these balances. In addition HSBC have a charge over all the assets of the Group under a debenture, exercisable if the debt is not settled when due, breach of obligations under the debenture, the Group entering into arrangements with creditors or taking steps to winding up or administration and on other defined events.

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 have a Level 3 financial liability of £2.0 million of deferred consideration measured at fair value on a recurring basis at 31 March 2016 (2015: £nil). 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 £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 on page 74. Aside from this, the Group has not undertaken any trading in financial instruments.

20. Financial instruments continued

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.

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 25% (2015: 8%) 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 (2015: 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 £1.0 million charge/£1.3 million credit respectively.

The Group has net cash assets of £10,836,000 (2015: £8,701,000) of which £9,823,000 (2015: £8,545,000) are Sterling denominated and £1,013,000 (2015: £156,000) are in other currencies, mainly USD and Euro.

Interest rate risk
The Group has £6,970,000 financial assets on 1–3 months deposit at fixed rates between 0.25% and 0.45% (2015: £3,020,000, 0.25% and 0.65%) and all of the remaining balance is instant access, mostly at floating interest rates.

A reasonably possible change in interest rates is 50 basis points. An increase of 50 basis points would give rise to an additional £54,000 (2015: £43,500) of finance revenue. A decrease of 50 basis points would give rise to a reduction in finance revenue of £54,000 (2015: £43,500). 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.

In addition to the Group's financial assets, in April 2015 the Group entered into an agreement with HSBC Bank plc for a £5.0 million secured working capital facility to provide pre and post-shipment finance in relation to export activities across the Group. The facility is partially guaranteed by the UK Export Finance Guarantees Department and HSBC Bank plc have a call over all the assets of the Group as part of this facility. The interest rate for any borrowings under this facility is 3% over the bank's Sterling base rate. The facility was reviewed and renewed as part of our wider annual banking facility review with HSBC Bank plc in September. The facility was not being utilised at 31 March 2016, but at time of approval of the financial statements is £600,000 (2015: £nil). This facility serves to strengthen the liquidity risk management of the Group.

20. Financial instruments continued

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 2016, total equity amounted to £54,370,000 (2015: £38,841,000).

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 2016 £'000	**Other 2016 £'000**	**Total 2016 £'000**	Land and buildings 2015 £'000	Other 2015 £'000	Total 2015 £'000
Future minimum lease payments payable						
Within one year	**745**	**172**	**917**	499	141	640
After one year but not more than five years	**1,077**	**134**	**1,211**	778	180	958
After five years	**–**	**–**	**–**	14	–	14
	1,822	**306**	**2,128**	1,291	321	1,612

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

22. Provisions

	Other provision £'000	Restructuring provision £'000	Onerous lease provision £'000	Total £'000
At 31 March 2014	–	241	340	581
Utilisation	–	(241)	(178)	(419)
At 31 March 2015	–	–	162	162
Utilisation	–	–	(28)	(28)
Charged to income statement	20	–	–	20
At 31 March 2016	**20**	**–**	**134**	**154**
Current	**7**	**–**	**28**	**35**
Non-current	**13**	**–**	**106**	**119**

A provision was recorded in the year ended 31 March 2014 in relation to restructuring activities undertaken. The activities associated with this provision were completed in the year ended 31 March 2015.

A provision was recognised in relation to lease rentals on vacant properties in the year ended 31 March 2014. The £106,000 (2015: £134,000) non-current provision relates to a lease that expires in 2020.

The Other provision, consists of a dilapidations provision of £13,000 (2015: £nil) in relation to the lease of the Singapore office (the lease is due to expire in 2017) and a legal provision of £7,000 (2015: £nil) in respect of a dispute in France.

23. Commitments

There are no capital commitments at 31 March 2016 (2015: nil).

The Group has provided guarantees to 2 (2015: 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'.

	2016 £'000	2015 £'000
Directors' remuneration	**903**	943
Pension contributions	**2**	–
Gain on vesting of Incentive Shares	**–**	–
	905	943

The highest paid Director received £311,000 (2015: £311,000) in the year, with no pension contributions. Key management compensation comprises short-term employee benefits (including national insurance) of £1,028,000 (2015: £1,073,000), pension contributions of £2,000 (2015: £nil) and share-based payment charge of £179,000 (2015: £65,000).

Tom Black (Chairman) continues to engage the Services Division by way of a maintenance contract following previously installed services in a private capacity. The value of the transaction was less than £1,000, carried out at arm's-length market rates. There were no amounts outstanding at the year end.

The Directors acquired shares in the year as detailed below:

	2016 £'000	2015 £'000
Tom Black	**4,534,464**	540,540
Zak Doffman	**–**	67,567
Colin Evans	**800,000**	81,081
Sharon Cooper	**28,571**	67,567
Paul Taylor	**42,857**	27,027
Bernie Waldron	**–**	54,054

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

In addition the following Deferred Shares were issued to Directors.

	2016 £'000	2015 £'000
Tom Black	**54,375**	–
Zak Doffman	**27,187**	–
Colin Evans	**27,187**	–
	108,749	

Other interest in shares
Other interests in shares of the Directors are included in the Remuneration report on page 39.

25. Post balance sheet event

On 1 April the Board signed an agreement for the proposed disposal of the Services segment to Esotec Limited for £1. The sale completed on 19 May 2016. Full details are provided in note 26.

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. As indicated in the interim results announcement on 11 December 2015, this follows the view that the Board believes that the Services division is 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 on-going 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.

The following are attributable to the disposal group:

Income statement

	2016 £'000	2015 £'000
Revenue	**3,777**	7,460
Cost of sales	**(3,114)**	(5,790)
Expenses	**(1,348)**	(1,562)
Exit costs	**(528)**	–
Pre-tax (loss)/profit for discontinued operation	**(1,213)**	108
Impairment of goodwill and intangibles on valuing at fair value less costs of disposal	**(3,619)**	–
(Loss)/profit attributable to discontinued operation	**(4,832)**	108
Income tax expense	**–**	–

No tax arises on disposal.

Loss per share – discontinued operations

	Loss attributable to discontinued operations 2016 £'000	**Weighted average number of shares 2016 No.**	**Discontinued loss per share 2016 Pence**	Profit attributable to discontinued operations 2015 £'000	Weighted average number of shares 2015 No.	Discontinued profit per share 2015 Pence
Basic (loss)/profit per share	**(4,832)**	**105,052,916**	**(4.60)**	108	69,305,105	0.16
Diluted (loss)/profit per share	**(4,832)**	**105,052,916**	**(4.60)**	108	69,305,105	0.16

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:

	2016 £'000	2015 £'000
Net cash flows attributable to operating activities	**(93)**	(1,847)
Net cash flows attributable to investing activities	**(9)**	(143)
Net cash flows attributable to financing activities	**–**	–

Assets and liabilities
At the end of March 2016 the carrying amount of assets and liabilities classified as held for sale are as follows:

	Carrying amount after classification as held for sale 2016 £'000
Property, plant and equipment	**–**
Inventories	**35**
Liabilities	**–**
	35

27. Subsidiaries

Details of the Company's subsidiary undertakings as at 31 March 2016 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	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
Digital Barriers SAS (formerly Keeneo 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	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	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	Cargo Works, 1-2 Hatfields, London, SE1 9PG, United Kingdom	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	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
COE Group Ltd	Non-trading	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	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	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
Applied Image Recognition Limited*	Provider of official recognition solutions	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
Security Applications Limited*	Non-trading	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
D Ford Associates Limited*	Non-trading	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
Stryker Communications Limited*	Non-trading	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	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	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
Timeload Local Ltd*	Dormant	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
Timeload Holdings Ltd*	Dormant	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
Timeload UK Ltd*	Dormant	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales
Mutanderis 354 Ltd*	Dormant	Cargo Works, 1–2 Hatfields, London, SE1 9PG, United Kingdom	100%	UK	England & Wales

* Held indirectly via intermediate holding companies. 100%

The period of accounts for all companies is 1 April 2015 to 31 March 2016, with the exception of Brimtek Inc. and Digital Barriers Inc., whose period of account are 2 March 2016 to 31 March 2016 and 7 November 2015 to 31 March 2016 respectively.

Statement of Directors' responsibilities – Company financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and 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 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
Investments	4	**49,140**	42,943
Trade and other receivables	5	**11,831**	–
		60,971	42,943
Current assets			
Trade and other receivables	5	**14,631**	13,861
Other financial assets	6	**193**	–
Cash and cash equivalents		**22,875**	15,512
		37,699	29,373
Total assets		**98,670**	72,316
Equity and liabilities			
Equity share capital	7	**1,760**	845
Share premium		**109,078**	82,757
Capital redemption reserve		**4,786**	4,786
Merger reserve		**106**	106
Other reserves		**1,789**	1,174
Retained earnings		**(19,988)**	(17,671)
Total equity		**97,531**	71,997
Current liabilities			
Trade and other payables	8	**1,085**	156
Financial liabilities	9	**54**	163
Total liabilities		**1,139**	319
Total equity and liabilities		**98,670**	72,316

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 £2,494,000 (2015: £10,713,000).

The financial statements on pages 80 to 81 (along with notes on pages 82 to 88) were approved by the Board of Directors on 26 June 2016 and were signed on its behalf by:

Zak Doffman
Chief Executive Officer

Sharon Cooper
Chief Financial Officer

Company statement of changes in equity
at 31 March 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserves £'000	Retained Earnings £'000	Total equity £'000
At 1 April 2014 (as previously reported)	646	75,879	4,786	106	798	(7,020)	75,195
Effects of changes in accounting policies	–	–	–	–	–	–	–
1 April 2014	646	75,879	4,786	106	798	(7,020)	75,195
Loss for the year	–	–	–	–	–	(10,713)	(10,713)
Shares placement	199	7,151	–	–	–	–	7,350
Share issue costs	–	(273)	–	–	–	–	(273)
Incentive Share conversion	3	–	51	–	–	–	54
Share-based payment credit	–	–	–	–	376	62	438
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**

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 82 to 88 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 Group financial statements.

Notes to the Company financial information
at 31 March 2016

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

The Company financial statements for the year ended 31 March 2016 were authorised for issue by the Board of Directors on 26 June 2016 and the balance sheet was signed on the Board's behalf by Zak Doffman 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 early adopted the July 2015 amendments to FRS 101 (and the amendments to company law made by SI 2015/980). 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 Company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. There have been no adjustments on transition from previously extant UK GAAP to FRS 101; accordingly a transition reconciliation has not been prepared.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Company has taken advantage on transition to FRS 101, carrying the value of the investment in subsidiaries at deemed cost which is the previous UKGAAP carrying value of the investment.

As the Company is adopting IFRS for its separate Financial Statements later than it adopted IFRS for its Group financial statements, the assets and liabilities in these Financial Statements have been measured at the same amounts as in the Group financial statements.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2016.

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 Group financial statements.

2. Accounting policies continued

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.

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 34. 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 period to 1 April 2017 to 31 March 2018. 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 Consolidated Income Statement in the year of £35,000 (2015: £64,000).

2. Accounting policies continued

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.

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 13 to 15 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 2016	Average 2015
Directors and administration	**8**	8

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

	2016 £'000	2015 £'000
Salaries and short-term employee benefits	**1,045**	1,169
Social security costs	**156**	155
Pension costs	**3**	–
Share-based payment charge	**177**	62
	1,381	1,386

4. Investments

	Shares in Group undertakings £'000	Capital contributions £'000	Total £'000
Cost			
At 31 March 2014	21,206	32,895	54,101
Additions	–	376	376
Disposals	(3,461)	–	(3,461)
Recapitalisation	–	1,206	1,206
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**
Amounts provided			
At 31 March 2014	3,029	–	3,029
Provision for impairment	6,250	–	6,250
At 31 March 2015	9,279	–	9,279
Provision for impairment	–	–	–
At 31 March 2016	**9,279**	**–**	**9,279**
Net book value			
At 31 March 2016	**14,048**	**35,092**	**49,140**
At 31 March 2015	8,466	34,477	42,943

Capital contributions include recapitalisation of the investment in:-

- Digital Barriers SAS of £nil (2015: £1,206,000). The recapitalisation was made in accordance with legal requirements in France.

Further capital contributions in the period relate to share-based payments to employees of subsidiary undertakings of £615,000 (2015: £376,000).

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 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.

A provision for impairment of £6,250,000 was made in the prior year following the Board's assessment of the appropriate carrying value of its investments. The impairment charge was calculated using a value in use approach and the same assumptions were used as detailed in note 11 of the Group financial statements.

All of the Company's investments are unlisted.

Details of the Company's subsidiary undertakings as at 31 March 2016 are disclosed in note 27 of the Group financial statements.

5. Trade and other receivables

	2016 £'000	2015 £'000
Amounts falling due after one year		
Interest bearing loans – subsidiary undertakings	**11,831**	–
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**14,547**	13,841
Interest bearing loans – subsidiary undertakings	**61**	–
Prepayments and accrued income	**23**	20
	14,631	13,861

6. Other financial asset

	2016 £'000	2015 £'000
Other financial asset	**193**	–

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. 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 will be converted back to GBP. Aside from this instrument, there were no material currency contracts entered into during the year (2015: nil). This swap was revalued at fair value at 31 March, resulting in a financial asset of £193,000 (2015: nil). 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 2014	64,624,616	646
Shares issued in the year	19,864,865	199
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**

	Number	£'000
Authorised, allotted, called-up and fully paid		
Incentive Shares of £1 each		
At 31 March 2015	163,124	163
At 31 March 2016	**54,375**	**54**

Authorised, allotted, called-up and fully paid		
Deferred Shares of £1 each		
At 31 March 2015	–	–
At 31 March 2016	**108,749**	**109**

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

8. Trade and other payables

	2016 £'000	2015 £'000
Trade creditors	**51**	66
Accruals	**1,015**	67
Social security and other taxes	**19**	23
	1,085	156

In April 2015 the Group entered into an agreement with HSBC Bank plc for a £5.0 million secured working capital facility to provide pre and post-shipment finance in relation to export activities across the Group. The facility is partially guaranteed by the UK Export Finance Guarantees Department. The interest rate for any borrowings under this facility is 3% over the bank's Sterling base rate. The facility was reviewed and renewed as part of our wider annual banking facility review with HSBC Bank plc in September. The facility was not being utilised at 31 March 2016, but at time of approval of the financial statements is £600,000 (2015: £nil).

9. Financial liabilities

	2016 £'000	2015 £'000
Current		
Incentive Shares	**54**	163

No (2015: no) Incentive Shares were converted into Ordinary Shares (2015: nil), but 108,749 were converted into Deferred Shares. 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;

	2016 £'000	2015 £'000
Amounts owed by subsidiary undertakings	**14,547**	13,841
Interest bearing loans owed by subsidiary undertakings	**11,892**	–
	26,439	13,481

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

11. Contingent liabilities

The Company has entered into cross-guarantee arrangements in respect of all assets of the Company. The arrangements are in relation to the banking facilities made available to the Group by HSBC Bank plc.

A cash pooling arrangement exists across most HSBC Bank plc bank accounts. Where individual subsidiary companies are in an overdraft position, the cash balance held by the Company would be collateral for HSBC Bank plc. In addition HSBC Bank plc have a full right to offset on all cash balances held by the Group. In addition HSBC have a charge over all the assets of the Group under a debenture, exercisable if the debt is not settled when due, breach of obligations under the debenture, the Group entering into arrangements with creditors or taking steps to winding up or administration and on other defined events.

12. Post balance sheet event

On 1 April the Board signed an agreement for the proposed disposal of the Services segment to its existing management team for £1. The sale completed on 19 May 2016. Full details are provided in note 26 to the Group financial statements.

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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 £7,625 (2015: £5,000). The Company's individual accounts do not disclose fees for other services required by Regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration) Regulations 2008 as exempt because the Group 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 32 to 39 part of these financial statements. Information on the main employee share-based payments is given in note 18 to the Group financial statements. Details of the remuneration of key management personnel are given in note 24 to the Group financial statements.

14. Opening balance sheet adjustments of FRS 101 from UKGAAP

In preparing these financial statements, the Company has analysed the opening balance sheet as of 1 April 2015 to determine whether any adjustments are required in the transition to FRS 101.

Aside from presentational changes to the primary statements, no such changes were noted.

Digital Barriers plc
Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the 'AGM') of Digital Barriers plc (the 'Company') will be held at the registered office of the Company, Cargo Works, 1–2 Hatfields, London SE1 9PG at 2.00 pm on 23 September 2016 for the purposes of considering and, if thought fit, passing the following resolutions, all of which will be proposed as ordinary resolutions apart from resolutions 8 and 9 which will be proposed as special resolutions.

Ordinary business

1. To receive and adopt the audited financial statements of the Company for the year ended 31 March 2016 and the reports of the Directors and auditors thereon.
2. To approve the Directors' Remuneration report for the year ended 31 March 2016.
3. To re-elect Bernie Waldron as a Director, who retires in accordance with the Company's Articles of Association.
4. To re-elect Zak Doffman 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 £544,850 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 £82,553; 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 £82,553 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 plc (the 'Exchange') of any of its own Ordinary Shares of 1 pence 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 16,510,623;
   (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 before the day on which the purchase is made;
   (c) the minimum price which may be paid for an Ordinary Share is 1 pence 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 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 a contract for the purchase of Ordinary Shares which may be completed by or executed wholly or partly after the expiration of this authority.

By order of the Board:

John Woollhead
Company Secretary

26 June 2016

Registered Office
Cargo Works
1–2 Hatfields
London SE1 9PG

Appendix 1

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 £544,850, representing approximately one-third of the nominal value of the issued Ordinary Share capital of the Company as at 26 June 2016, being the latest practicable date before publication of this notice. The relevant circumstances are likely to be where a new issue of shares are used to acquire the share capital of a target acquisition. 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 £82,553, representing approximately 5% of the nominal value of the issued Ordinary Share capital of the Company as at 26 June 2016 (being the latest practicable date before publication of this notice) for general purposes plus an additional amount of £82,553 (representing approximately 5% of the nominal value of the issued Ordinary Share capital of the Company as at 26 June 2016) 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 16,510,623 Ordinary Shares (representing approximately 10% of the Company's issued Ordinary Share capital as at 26 June 2016, 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 pence, 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.

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 2.00 pm on 21 September 2016 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

Directors and Officers

Tom Black
Chairman

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

Registered Office

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Registered No: 07149547

Registrars

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Digital Barriers

ANNUAL REPORT AND ACCOUNTS 2016

Digital Barriers provides visually intelligent solutions to the global surveillance, security and safety markets. We deliver zero-latency streaming and analysis of secure video and related intelligence over wireless networks, including cellular, satellite, IP mesh and cloud, utilising significantly less bandwidth than standard technologies.
Our rapidly-installed fixed and mobile solutions for covert, remote and wide-area deployments, as well as vehicle and body-worn applications, have been sold into more than fifty countries, and have been proven in some of the world's most demanding operational environments. We also provide advanced video content analysis and body scanning to identify safety concerns and threats in real-time.

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SAFER.
STRONGER.
MORE SECURE.

SURVEILLANCE | SECURITY | SAFETY