



**Overview**

**01** Highlights of the year

**Strategic report**

**02** Chairman's statement

**04** Update on strategy

**06** Business review

**11** Financial review

**Governance**

**16** Directors' biographies

**18** Directors' report

**24** Corporate governance report

**32** Remuneration report

**40** Statement of Directors' responsibilities –  
Group financial statements

**41** Independent auditors' report  
to the members of Digital Barriers plc

**Financial statements**

**43** Consolidated income statement

**44** Consolidated statement of comprehensive income

**45** Consolidated statement of financial position

**46** Consolidated statement of changes in equity

**47** Consolidated statement of cash flows

**48** Notes to the financial information

**74** Statement of Directors' responsibilities –  
Company financial statements

**75** Company balance sheet

**76** Notes to the Company balance sheet

**Other information**

**80** Digital Barriers plc Notice of Annual General Meeting

**84** Officers and professional advisors

---

# Highlights of the year

- Performance for the year in line with February 2015 guidance
- 
- Group revenues of £19.4 million (2014: £19.0 million) and adjusted losses of £10.5 million (2014: £12.0 million)
- 
- International revenues increased 42% and are now 37% of total revenues (2014: 26%)
- 
- Transition from selling discrete products to fully integrated solutions
- 
- First TVI and ISP solution sales into critical infrastructure, transportation, construction, defence, security and law enforcement
- 
- Most successful year yet for the Group's ThruVision product and UK Services business
- 
- Zak Doffman appointed Chief Executive Officer with Tom Black continuing as Chairman of the Board and more experienced regional sales leadership brought into the Group
- 
- £7.1 million (net of placing costs) raised through new share issue in January 2015
-

---

# Strategic report



## Chairman's statement

---

The Group's results were broadly flat on the prior year, but we made significant strategic progress on a number of fronts during the period. Although revenues were only modestly ahead of last year at £19.4 million (2014: £19.0 million), that masks a very strong year for our international revenues which were 42% ahead of the prior year and now account for around 37% of our total revenues and 59% of our product revenues. International growth would have been even stronger except for two material contracts which were delayed but are expected to close this current year.

Asia-Pacific performed particularly well during the period, doubling its revenues from the prior year with key contract wins in Singapore, Japan, Malaysia and Indonesia for our core TVI and ISP solutions. We also secured a notable follow-on order for our ThruVision product in Hong Kong towards the end of the period, completing the best ever year of sales for this technology. The US and Middle East regions were more challenging, although we did deliver a \$1.5 million TVI video surveillance hardware contract into a major US Federal agency. Longer than anticipated sales cycles, including funding delays for a large wireless video programme in the US, had an effect on key contracts expected late in the period and these are now expected to contribute positively this year.

In reviewing our international performance during the year, we decided to improve the quality of sales leadership in both the US and Middle East regions, bringing much stronger access to senior customers across a wide range of government and commercial organisations.

Our strong trading performance in Asia-Pacific has continued since the period-end, and includes our first ISP solution sale into a new and very significant Ministry of Defence customer in the region for integrated maritime border protection. This was secured with strong UK government support and constitutes the first part of one of the delayed contracts referenced above.

In the US we have seen a positive impact from the new leadership now in place, with strong sales momentum since the period-end. We now have material contract discussions on-going with several federal agencies for procurements during the current financial year, including the second of the delayed contracts referenced above and new requirements for our technology. We have also seen initial purchases from commercial organisations looking to adopt our technology. In the Middle East our new leadership is also proving effective, with on-going engagement with government agencies and commercial organisations expected to contribute positively this year. The same is true in West Africa, with continuing sales opportunities in government and oil and gas, and in India, where we have received government accreditation for our ISP critical infrastructure and border protection solution.

Unfortunately, strong international growth during the period was undermined by disappointing performance in our UK Products Division. This was due to continued pressure on public sector budgets which meant we were unsuccessful in replacing prior year revenues from a large programme we completed for the Ministry of Defence. We addressed this performance midway through the year, bringing in new more experienced leadership for our UK and Europe region and combining our UK Products and Services Divisions under a single management team. With new leadership in place, the UK division improved its performance in the second half of the year, securing very notable strategic product sales with new accounts in a variety of sectors, including construction, energy and transportation. The year also saw significant growth in UK services, including the delivery of a large project into a major UK sporting event.

We expect the UK to be particularly second-half weighted this current year, given delays in government contract awards after the general election period, but we will offset this where possible with strategic account management and a continued focus on securing new opportunities in the commercial sector for integrated solutions and services sales.

In addition to international revenue growth, I would highlight four other significant areas of strategic progress for the Group during the period.

First, we made material progress during the year in transitioning our Products Division from the development and marketing of discrete hardware and software products to the design, development and delivery of integrated solutions, built around our world class intellectual property. Our solutions provide customers with fully functioning capabilities that we deploy with local integration partners, helping to secure longer-term relationships between customer organisations and our technologies. We are standardising our offerings with repeat sales of these solutions, adding greater value for our customers and securing larger contract values. For example, until recently we marketed 'black box' TVI video encoding units for law enforcement vehicles, with the customer or their technology partners adding required cameras and accessories. Now we market a fully integrated vehicle surveillance solution that combines our TVI technology with cameras, peripherals and a body worn accessory for when personnel exit the vehicle. The response from both government and commercial customers to this transition to solutions has been resoundingly positive and is driving our forward sales pipeline.

Second, we are now developing new channels to market for the Group's class-leading TVI technology. TVI can stream live real-time video, at almost zero latency, across limited or constrained bandwidths such as cellular and satellite networks. It offers compelling performance improvements and bandwidth cost savings over competing technologies and has already been sold to customers in more than 30 countries, including some of the most prominent defence and security organisations in the world. Now we have started to work with manufacturers of cameras and video management systems to widen the market for TVI. Streaming live real-time video across wireless networks is extremely challenging but it offers materially reduced infrastructural and deployment costs as well as new levels of operational flexibility. TVI addresses the fundamental constraints of wireless video and we believe we can work with industry partners to drive significant growth for the technology over the coming years. Our partnership with Milestone, announced since the period-end, is illustrative of this, and we have other partnerships in discussion which we expect to announce during the course of this year.

Third, as prefaced during our 2014 Interim Statement, we have launched our Cloud Video Platform (CVP) for this current year. CVP provides an extremely flexible and scalable channel for our TVI and video analytics capabilities. Embracing new video tools is usually time consuming and expensive for customers, prolonging procurement timescales and delaying implementation. CVP places our existing class-leading video transformation tools and high-performance analytics directly into cloud-accessible services, making them quick to adopt and removing barriers to entry. CVP has been in trial with key customers during our first quarter, and has now fully launched to provide our intellectual property to a wider client-base, with subscription and per-use billing rather than our traditional perpetual licensing model. This will, over time, provide us with increasing recurring revenues with modest incomes projected this year but rising through next year.

Finally, we made significant changes to our management arrangements during the year, most notably Zak Doffman's appointment as Chief Executive Officer, with me continuing to Chair the Board in a non-executive capacity. This change to a more traditional management structure has always been our intention and has allowed Zak to build a much stronger and more experienced leadership team than we have had previously. This includes new high-calibre sales leadership in three of our four regions, as well as Colin Evans being appointed Chief Operating Officer with responsibility for technology, engineering and the development of new partner channels as detailed above. Sharon Cooper, our Chief Financial Officer, has broadened her role to manage our integrated back-office functions, which have reduced in cost in the last year through efficiencies. With all outstanding integration activities now complete, the focus of our unified leadership team and organisation is entirely on growth. We continue to rely on the expertise and commitment of our staff and we have placed a greater emphasis on our people agenda. At this stage, our headcount of 150 gives us the right balance between investment and achieving critical mass in our key markets.

We remain extremely proud of the strong support we continue to receive from our shareholders, and during the year we raised a further £7.1 million to fund on-going expenses, to strengthen our balance sheet and to provide working capital for growth. These funds remained on the balance sheet at the year-end, with the cash position at £8.7 million.

Although the Group operates in markets with sales cycles that can be protracted and unpredictable, we have now sold into our key regions for a number of years and have a better understanding of the purchasing behaviours of key government and commercial organisations. We have also enhanced our channels to market and improved our regional sales leadership. Notable well-qualified opportunities in our sales pipeline include flagship US law enforcement and defence agencies, where we have successfully established the operational benefits of our core technologies and expect material purchases to follow. In Asia-Pacific we have strong UK government support for a number of major border programmes where we expect our Integrated

Surveillance Platform to be procured. We are seeing strong traction for our TVI and ThruVision solutions into law enforcement and civil security, we have a strong sales pipeline in a number of markets across the region, including Singapore, Malaysia, Japan, Indonesia, Australia, Philippines, Hong Kong and the Republic of Korea, and have launched one of our core technologies into Mainland China with immediate customer interest. In the Middle East, where anticipated spend on security and defence technologies reflects the on-going threat context. We operate in UAE, Qatar and Saudi Arabia, as well as West Africa and India, and have material opportunities for law enforcement, border security and oil and gas protection in those geographies. In the UK and Europe we are balancing existing government customer relationships with new commercial accounts in critical infrastructure, transportation and industrial services.

Looking forward, I remain confident our technologies are uniquely positioned in the international marketplace, playing an increasingly important role as organisations seek a more agile alternative to conventional surveillance and security systems, as well as opening new opportunities in the broader wireless video domain. The combination of stronger management with repeatable solutions, scalable cloud offerings and new industry channels to market, provides us with the depth of capabilities and commercial flexibility to grow revenues this year and beyond. The Board remains comfortable with its expectations for this financial year driven by continued strong international growth, notwithstanding that the current timing of UK government contracting will contribute to a second-half weighting.

---

## Update on strategy

We continue to pursue our strategy of providing advanced surveillance technologies to governments, multinational corporations and system integrators in the international defence, law enforcement, critical infrastructure, transportation and natural resources sectors. As our strategy continues to develop, we are seeing increasing opportunities to leverage our core intellectual property across the wider wireless video domain. We have broadened beyond discrete product sales into integrated solution sales, we are working

with industry technology partners and we have launched a cloud service to secure new channels to market. We are also pursuing opportunities for our technology in adjacent commercial sectors. This includes specialist safety applications, such as for construction site monitoring, and offerings for mainstream security, such as SafeZone-edge for Stanley Security and MiniCam for BT Redcare.

At IPO in 2010 we outlined three phases of our development, from the initial acquisitions phase, through integration and international expansion, to further geographical and product expansion. In the last year we completed our transition from phase two to phase three, making significant progress in widening our product portfolio and transitioning from 'boxes' to solutions. This better enables us to exploit our TVI, RDC, video analytics and ThruVision technologies, as well as to secure a greater share of total contract value and more closely manage customer requirements. Our product expansion also encompasses OEM and utility-based cloud offerings to deliver our technology through new revenue models. These enable enterprise-wide adoption of our products, integrating them with existing surveillance and security infrastructures.

With new regional leadership in place, we have the foundations to drive the adoption of these expanded solution offerings. Our assessment of the growth potential within our market remains unchanged. The defence, homeland security, critical infrastructure, oil and gas and transportation sectors continue to face persistent threats, often beyond the capabilities of conventional security systems. Beyond these markets, we are well positioned to exploit broader security opportunities as well as adjacent offerings for our core technologies. This is reinforced by the wider market access provided by our strategic alliance partners across the industry ecosystem.

Global spending in both core and adjacent markets remains strong across our regions and broader technology imperatives such as the growth in wireless network video is shaping our focus areas:

- Strong strategic account management in the UK, supplementing core defence sales with sales into broader security and commercial sectors, providing fully integrated offerings.

- Established presence in Asia-Pacific, with doubling of revenues last year and a pipeline of repeatable solution sales and larger multi-year programmes, albeit with longer sales cycles.
- Significant market opportunity in the US for our solutions and our new regional leadership will accelerate our traction with Federal agencies as well as increasing the focus on other government and commercial opportunities.
- Much stronger Middle East business, with experienced leadership and a clear focus on security opportunities across the Gulf, India and West Africa.
- Continued shift towards mobility in surveillance and security operations, driving the adoption of wireless connected video solutions.
- Commoditisation of mainstream CCTV and a shift in focus to add intelligence and value to existing camera estates, leveraging the flexibility of both 'edge' and 'cloud'.

Our solutions address a wide range of surveillance and security requirements. For smaller-scale opportunities, this facilitates customer adoption and integration with existing systems. The strong interest we see in our vehicle-based surveillance offering is a prime example of this. On larger programmes, our solution focus enables us to assemble a range of modular capabilities, providing more rapidly deployable and affordable options than conventional systems. Our positions on large national security procurements, involving multi-faceted requirements, are evidence of this resonating with customers. This traction, along with the international security and technology context, confirms that our original strategy, although expanding, remains valid and we will continue to pursue it.



## Business review

### Introduction

During the period, we focused on developing complete solutions built on our unique and proven core products. By providing standardised and integrated offerings to customers to solve specific problems, we can access a greater share of total contract value.

This shift in focus has already delivered results, with a number of key sales in the year coming from these solution offerings. This included the £0.9 million initial sale of a new construction site solution in the UK, the £0.8 million initial sale of a law enforcement vehicle surveillance solution in Indonesia, and the £0.6 million initial sale of a critical infrastructure perimeter security solution in the UK.

Performance in Asia-Pacific through the year reflected both our solutions focus and strong sales leadership, with revenues doubling year-on-year. The second half of the year showed an improvement in performance in the UK, with new leadership driving the solutions agenda and delivering key sales into new sectors. We are replicating this approach in the Americas and Middle East regions, with more experienced sales leadership now in place.

Complementing this solutions focus, we launched a recurring revenue and subscription model, with a particular focus around our virtualised Cloud Video Platform, which we expect to become an increasing revenue contributor in the coming year and beyond.

### Services

Our UK-based Services business recorded its strongest ever year with revenues of £7.5 million, representing growth of 65% over the prior year.

Key customer contracts delivered in the period included a material framework programme with one of our UK government customers (£0.9 million) and a major contract for a flagship sporting event in the UK (£3.0 million). The period also saw closer integration between our UK Services and UK Products businesses as we evolve towards integrated solutions. In the UK, such solutions include deployment and support, leveraging our Services infrastructure.

In delivering strong growth and closer ties with our Products business, our Services business is well positioned to consolidate the growth it achieved during the period into the coming year and beyond.

### Products

We achieved a number of notable contract wins in the year, successfully launching solution sales into core sectors and delivering strong international sales growth:

- **First solution sale to the construction industry** – £0.9 million sale of a monitoring solution for tower cranes to improve operational efficiency and site safety. Such video solutions are likely to become more standardised across the industry and extended to other types of construction equipment.
- **Multiple site solution sale within critical national infrastructure market** – £0.6 million sale of a perimeter monitoring solution to secure remote energy facilities across multiple initial sites. We anticipate follow-on orders in the current year and interest from other organisations with similar requirements.
- **Strategic sale of new TVI hardware products** – £1.0 million (\$1.5 million) sale of high-definition TVI devices to a US government agency for operational surveillance requirements as part of a new integrated requirement and broader agency adoption of TVI.
- **First major sale of vehicle solutions to an enterprise customer** – £0.8 million sale of vehicle surveillance solution kits for a law enforcement agency in Indonesia. The solution includes a body worn option and is the initial phase of a wider deployment.
- **ThruVision sales into key markets** – sales during the year included Turkey, Japan, Hong Kong, US and the Philippines, with the improved performance and functionality of our updated product driving strong customer traction.
- **Surveillance networking equipment sales in Singapore** – £1.8 million of sales into the transportation sector for major rail surveillance projects, we expect material follow-on sales with continued infrastructure investment.
- **Remote site security solution sale** – £0.3 million sale of facility monitoring equipment to the Nigerian government for the protection of a secure government site, although delayed by Ebola and the election we have on-going opportunities in this country.



Our sales pipeline continues to build, with traction focused on our new range of integrated solutions that build on our core intellectual property, namely:

- Our TVI Video Distribution Platform includes vehicle surveillance solutions, covert and tactical law enforcement and defence solutions and specialist industrial solutions. Our customers see these rapidly deployable, proven solutions as a unique approach to video transmission and viewing from anywhere to anywhere. Over time we will continue to expand this range.
- Our Integrated Surveillance Platform combines our RDC sensors with TVI, allowing unauthorised intrusions to be viewed securely and remotely. Our customers see this rapidly deployable covert solution as the ideal approach for pre-emptive instead of reactive security. We are working with lead customers for a number of new vertical market solutions, including a new critical national infrastructure protection solution.
- Our Cloud Video Platform brings our TVI and analytics capabilities to a cloud environment. This allows CCTV, public transportation and body worn cameras to be viewed in real-time from anywhere by authorised users. It also includes class-leading video analytics in the cloud that can be used to analyse video from any system on demand, both live and archived, to increase intelligence without the need for dedicated infrastructure and investments from multiple agencies.
- Our Safe Search People Screening Solution based on our ThruVision product facilitates the screening of people without the need for time-consuming, intrusive physical searches. Our customers see this 'virtual pat-down' as an efficient, repeatable and reliable procedure for looking for weapons, contraband or stolen goods in a safe and respectful manner.

**International Markets** – We have continued our strategy of targeting key markets with material defence and security budgets across the Americas, Asia-Pacific and the Middle East and Africa regions. In FY15 we achieved international growth of 42%, with International now representing 59% of all our product sales. With the change of sales leadership in the Middle East and US, we are now working with

larger partners in these regions to provide improved market access. We have also continued to strengthen our direct customer relationships.

In Asia-Pacific, we remained focused on key markets, including the Republic of Korea, Hong Kong, Japan, Singapore, Malaysia, Indonesia and Australia. The year saw new customers secured in Japan, Hong Kong and the Philippines, including key reference customers for TVI and ThruVision. Solution sales have been a key part of driving growth in Asia-Pacific, and in the current year we expect to see these new solutions continue to be a key driver of growth.

In the Middle East and Africa we are focused on the key GCC states and have followed early sales successes to achieve repeat sales and commitments from larger partners. Our partners in this region have a particular interest in off-the-shelf solutions that can be more easily adopted, with our construction and law enforcement offerings being well positioned.

The US market remains challenging because of longer than expected sales cycles, however there have been a number of landmark sales. These include a ThruVision sale to a major metropolitan police department and a \$1.5 million sale of our TVI video surveillance hardware into a major US Federal agency.

**UK market** – The UK Government market remained challenging, with the General Election delaying some major procurement decisions late in the year. Although we saw an impact from a decline in our defence sales, we have been working to open up new strategic accounts in the critical national infrastructure, transportation and construction markets.

We introduced new leadership into our UK and Europe region midway through the year, which gave impetus to a diversification of accounts and a sharper focus on solution sales. During the year, we also combined our UK Services and UK Products businesses to create an integrated UK organisation to better leverage solution sales into our customer base. The UK Services business continues to perform well, reflecting the enduring strength and value of long-standing customer relationships. We have also brought focused sales resource into the team to expand on our existing sales into Europe.

### **New Commercial Channels to Market**

The mainstream, non-security market is witnessing an unprecedented shift to digital distribution of video over IP networks, fuelling rapid growth. Large technology firms are now entering the market through internal product development and acquisitions. This creates a number of opportunities for Digital Barriers to wirelessly enable market leaders in the Camera and Video Management System (VMS) fields, where our TVI technology has compelling benefits over its competition for wireless video streaming.

Our relationship with Axis, one of the world's leading network camera manufacturers, continues to develop strongly and we anticipate leveraging this to help drive adoption of our products alongside their cameras and VMS. Monthly sales of our SafeZone-edge product have increased ten-fold since launch and we are developing other services to deliver on this platform. We also have interest from other manufacturers to adopt our edge solutions or create open platforms which we can leverage for wider distribution.

VMS vendors remain key to the enterprise video market due to the high cost of switching from an incumbent supplier. We have agreements with the largest VMS vendors, including one of the market leaders Milestone, to integrate TVI and we expect other market leading VMS providers to follow. As mainstream technology companies enter the network video and CCTV markets, VMS vendors are moving more into the mainstream and creating Visual Solutions aimed at new types of customers. They are demonstrating strong interest in adopting our solutions for construction site safety and ambulance patient management systems as well as the application of TVI and analytics into the broad commercial market.

We are also investing in technology to make it easier for third parties to adopt TVI and our analytics without any additional investment from us for each new partner. Given the fragmented nature of the VMS and broader video market, we view this standardised technology approach as a way to become an industry standard. One example of the benefits of our ability to integrate TVI's unique capabilities into third party solutions is the

opportunities we are seeing in the body worn market to add wireless capability to devices which already have a very large install base.

### **Technology and products**

During the course of the year, we continued to focus on our four core product families – TVI, RDC, ThruVision and analytics – developing a set of end-to-end solutions for key vertical markets, leveraging the unique and complementary characteristics of our products.

Although our focus is now firmly on integrated solutions rather than discrete product 'boxes', it is imperative that each underlying product remains disruptive in its respective category, occupying a clearly differentiated position and embodying class-leading intellectual property that is both protected and difficult to replicate. Significantly, these core product families have been reinforced with additional capabilities to form the new solutions propositions which are driving international sales activity. It is the maturity of our product development that has enabled us to deliver the new solutions into key industry verticals over the last year. We will continue to invest in adding the incremental capability to our products to enable us to take our technology to wider enterprise markets.

**Tactical Visual Intelligence (TVI)** – TVI represents the largest market opportunity for us. As a proven, world-class video distribution technology, it offers large organisations the ability to adopt video as an affordable, core enterprise tool for a range of surveillance and security applications in the first instance, but increasingly for more mainstream 'enterprise applications'. We continue to make progress in adding features to make TVI suitable for commercial applications.

Highlights include:

- **Addition of multi-camera HD support on the IP Series** – primarily developed to meet the needs of vehicle-based law enforcement, the IP450 was launched in July. The product is quickly gaining traction and, due to its versatility and performance, has been selected as the basis for a number of our new solution packages.

- **Launch of a new smart phone and desktop viewing software** – developed to support our mission-critical surveillance and ISP propositions and introduced at a specialist user exhibition in March. It will also provide the technical foundations to enable greater third-party interoperability of TVI to simplify customer adoption.

Plans for the coming year include developing new body worn video solutions and boosting the scalability of the TVI platform with technical and enterprise features. We increasingly see demands for TVI deployments with ever-larger numbers of cameras and users and we will continue to scale the platform and enhance integration with other systems.

**Remote Detection and Classification (RDC)** – RDC is our unique ground sensor for the remote detection and classification of unauthorised people or vehicles in remote locations – particularly where network and power infrastructure is limited. RDC has been deployed for a wide range of remote security applications, including the protection of defence forces, wide-area border monitoring, oil and gas security, critical infrastructure asset protection and the monitoring of secure sites.

Our key differentiation remains the combination of a rapidly deployable covert form factor, reliable sensing technology, low power wireless networking and tight coupling with TVI to enable real-time video verification of threats. Together, these form a key component of our Integrated Surveillance Platform, providing a practical and cost-effective approach to the monitoring of wide areas, remote locations or in other situations where conventional security systems are impractical.

RDC is now tightly integrated with TVI at a hardware and software level, the combination is being used for an ever-increasing number of applications.

Highlights include:

- **Launch of new CNI and oil and gas proposition** – developed around existing products and the requirements of lead customers in both sectors, this solution is also being evaluated by further customers in the CNI and oil and gas sectors.
- **Launch of RDC-enabled homeland security solutions** – the introduction of a range of scalable remote security and wide-area surveillance solutions that are based on the RDC sensor, including force protection and border security.

- **Launch of UltraMesh networking firmware** – we launched a next generation wireless networking technology to enhance the node-to-node transmission of alerts.

Plans for the coming year include the addition of intelligent ‘trigger and cue’ nodes that bring the RDC wireless alarm and triggering technology to a wider range of applications, as well as continued integration of RDC and TVI for both configuration and operations.

**ThruVision** – ThruVision is our passive, standoff people screening technology for the protection of high-profile buildings and VIPs, the detection of concealed contraband by customs organisations, high-threat military checkpoint screening and the efficient searching of employees to reduce theft in retail and distribution environments.

Highlights include:

- **Launch of a new adaptive scan mechanism** – developed to make the device more practical to operate in concealed deployments and significantly boost operations.
- **Development of new core components** – developed to reduce unit cost and weight as well as decrease unit operating costs and operational noise.

Plans for the coming year include further improvements to the operator software that is used to screen individuals, including automated threat detection (ATD), as well as customer-funded developments to improve performance in different environments.

**Cloud Video Platform (CVP)** – CVP places our existing market leading video transformation tools and high-performance analytics directly into cloud accessible services – making them quick to adopt and removing barriers to entry. Deriving value from video and distributing the video to where it’s needed is a huge challenge for organisations. Video is typically locked within an organisation’s data stores, rarely looked at and rarely shared due to the cost and complexity of video analytics and the impact of bandwidth constraints on moving the video. Embracing new video tools is time consuming and expensive, the high barrier to adoption prolonging procurement timescales and delaying implementation.

We can deploy CVP and its analytics on a public or private cloud or at the edge, providing flexibility to perform processing where it is most economic.

The use of readily available commercial cloud services also gives us automatic scalability and resilience, allowing our server capacity and costs to flex with demand.

Highlights include:

- **Launch of the platform to selected customers** – our first suite of analytics, developed to make it easier to monitor large fleets of cameras, have entered evaluation trials with a number of monitoring and video management service providers including major Alarm Receive Centres (ARCs). The ARC sector is key for us as they aggregate camera customers whilst continually seeking ways to reduce costs and offer innovative service options to the market.
- **Launch of our developer tools to selected customers** – our developer focused analytics products have entered trials with one of the world's largest management consulting and technology outsourcing firms for developing end-customer applications based upon our cloud ready services.
- **Industry recognition of SafeZone-edge** – SafeZone-edge was the winner of Intruder Alarm or Exterior Deterrent Product of the Year at IFSEC's Security & Fire Excellence Awards 2014. SafeZone Edge has now been extended to support the third-party Axis video cloud platform (AVHS), creating the SafeZone ARC product.

Plans for the coming year include continued platform development and commercial product launch, development of new and enhanced algorithms, and implementing subscription models for our edge analytics products. We plan to release new CVP video tools and analytics approximately every two months, including TVI video transformation in the cloud – allowing organisations to distribute existing video sources wirelessly, and also cloud access to our facial detection and recognition tools.

### Operational review

#### *People*

We made significant changes to the management team during the year, including the appointment of Zak Doffman as Chief Executive Officer with Tom Black becoming Non-Executive Chairman. We also significantly strengthened our regional sales leadership and organised our technology and delivery functions to ensure we can support the Group through its next phases of growth.

We endeavour to provide exciting careers for highly talented sales and engineering staff, with a common culture of innovation and engineering excellence and collaboration across our geographies and engineering teams. This enables a sophisticated level of integration across our products and solutions.

In the last year, we have put in place a formal mentoring programme that has given greater emphasis to our people agenda, providing staff with career development direction outside of the line management structure and crossing geographic and product boundaries.

#### *Cost base*

During the period, a cost reduction programme reduced our overall net cost base by £3.0 million. Operational efficiencies allowed for further investment in international sales and engineering whilst still maintaining the lower cost base.

#### *Infrastructure*

We have expanded our TVI engineering office in Glasgow and invested in our Oxfordshire hub to increase ThruVision manufacturing and broader solution delivery capacity. This year we invested in a new, secure, Group-wide IT infrastructure to allow more efficient working for our staff around the world, while also better securing our core intellectual property.

#### *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: £19.4 million for the year under review (2014: £19.0 million);
- International revenues: 37% of total revenues (2014: 26%);
- Gross margin: 35% for the year under review (2014: 46%);
- Adjusted loss before tax: £10.5 million for the year under review (2014: £12.0 million);
- Central costs: £4.0 million for the year under review (2014: £6.5 million);
- Number of employees: 150 at 31 March 2015 (2014: 193); and
- Cash: £8.7 million at 31 March 2015 (2014: £14.2 million).

## Financial review

For the year ended 31 March 2015, Digital Barriers delivered revenue of £19.4 million (2014: £19.0 million) generating an adjusted loss before tax of £10.5 million (2014 loss: £12.0 million) and adjusted loss per share of 14.12 pence (2014 loss: 21.49 pence). On an unadjusted basis, the loss before tax was £18.7 million (2014 loss: £15.1 million) and loss per share was 25.85 pence (2014 loss: 25.87 pence).

### Revenue and margins

Of the £19.4 million of revenue in year, £11.9 million (2014: £14.5 million) was delivered from Product revenue streams, with £7.5 million (2014: £4.5 million) from the Services Division.

Within the Products division international revenues grew 42%, with sales in the Asia-Pacific regions doubling year-on-year. This growth was offset by a reduction in UK revenues as the region looks to augment less predictable government spend with value-driven sales into the commercial sector. The reduction in UK revenues led to a fall in total Product revenues in the year of 18% (2014: 15%).

International Product revenues now account for 59% of total Product sales, up from 34% in the prior year.

All Product sales are now strategic to the Group, with legacy products (and associated revenues) now immaterial to the Group.

Results by division are detailed below:

	Reported 2015 £'000	Reported 2014 £'000
Revenue		
Products:		
International	7,093	5,004
UK	4,849	9,511
Products total	11,942	14,515
Services	7,460	4,527
	19,402	19,042

Revenue from the Services Division grew 65% year-on-year to £7.5 million. This growth was underpinned by the delivery of a large system into a major UK sporting event in the first half of the year.

Revenue in the year was split 62%:38% (2014: 76%:24%) between Products and Services respectively. The strength of Services revenue in the year, along with a significant acceleration of

ThruVision revenues (unit sales up from 8 to 33) has resulted in a decrease in the Group's gross margin from 46% to 35%.

	Product £'000	Services £'000	Total £'000
2015			
Revenue	11,942	7,460	19,402
Segment gross margin	5,155	1,670	6,825
Gross margin %	43%	22%	35%
2014			
Revenue	14,515	4,527	19,042
Segment gross margin	7,860	863	8,723
Gross margin %	54%	19%	46%

Services gross margin increased to 22% in the year (2014: 19%), as a result of strong project management and tighter cost control. Products gross margin was 43% (2014: 54%). This decrease is largely associated with sales mix, with a reduction in the proportion of software sales in the year, alongside an increase in ThruVision sales which attract a lower gross margin.

### Overheads

Administration costs are broken down as follows:

	Reported 2015 £'000	Reported 2014 £'000
Overheads		
Products administration costs	12,201	15,117
Services administration costs	1,132	960
Amortisation of intangibles initially recognised on acquisition	1,865	1,733
Central costs		
Board, operations, finance and facilities	3,578	4,147
LTIP charge	438	524
Reorganisation costs	–	1,860
	4,016	6,531
<b>Total administration costs</b>	<b>19,214</b>	<b>24,341</b>

Administration costs within the Products Division largely consist of sales and marketing costs, together with research and development spend. Services Divisional overheads are predominantly made up of sales and operations costs.

In total, administration costs in the year have been reduced by 21% to £19.2 million (2014: £24.3 million). This reduction is the result of a restructuring programme undertaken in the prior year to rationalise the cost base of the Group and concentrate resources on strategic products.



As a result of this programme, £1.86 million in reorganisation costs were incurred in the prior year, with over £3 million of annual cost savings realised. These savings were largely within the Products Division and central spend.

### Adjusted loss

An adjusted loss before tax figure is presented as the Directors believe that this is a more relevant measure of the Group's underlying performance. For the year, this was £10.5 million (2014: £12.0 million) and is detailed in the table below:

	2015 £'000	2014 £'000
Loss before tax	<b>(18,697)</b>	(15,067)
Add back:		
Amortisation of intangibles initially recognised on acquisition	<b>1,865</b>	1,733
Loss on disposal of businesses <sup>(i)</sup>	<b>103</b>	–
Adjustments to deferred consideration <sup>(ii)</sup>	–	(679)
Reorganisation costs <sup>(iii)</sup>	–	1,860
Impairment of goodwill and intangibles <sup>(iv)</sup>	<b>6,250</b>	160
<b>Adjusted loss before tax</b>	<b>(10,479)</b>	(11,993)

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

(ii) Relates to the release of deferred consideration payable against the Zimiti and Visimetrix acquisitions plus reassessment of the remaining Visimetrix deferred considerations balance to zero, partly offset by the unwind of discount.

(iii) Relates to the restructuring programme to rationalise the Group's cost base and concentrate its resources on strategic Products. As the expenditure relates to transforming the divisions for the future these costs are not directly related to continued operations.

(iv) Relates to the reassessment of the carrying value of goodwill and intangibles within the Products 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.

The reduction in the adjusted loss year-on-year has been driven by three key factors:

- growth in international Product revenues
- continued investment in sales and marketing required to drive international expansion
- reduction in overheads in connection with non-strategic products

The unadjusted loss before tax for the year amounts to £18.7 million (2014 loss: £15.1 million). The increase in the loss is principally the result of an impairment charge of £6.25 million recorded during the year.

This reflects the reassessment of the carrying value of goodwill within the Products Division following a period of product development which has impacted the Group's ability to leverage value from the integrated businesses in the original timeframes expected. Further details on Product goodwill can be found in note 13.

### 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 £0.8 million (2014: £0.5 million) principally relates to R&D tax credits. At 31 March 2015, the Group had unutilised tax losses carried forward of approximately £47.5 million (2014: £44.0 million). Given the varying degrees of uncertainty as to the timescale of utilisation of these losses, the Group has not recognised £9.8 million (2014: £8.5 million) of potential deferred tax assets associated with £46.6 million (2014: £42.3 million) of these losses.

At 31 March 2015, the Group's net deferred tax liability stood at £0.1 million (2014: £0.2 million).

### Loss per share

The reported loss per share is 25.85 pence (2014 loss: 25.87 pence). The adjusted loss per share is 14.12 pence (2014 loss: 21.49 pence).

### Cash and treasury

The Group ended the year with a cash balance of £8.7 million (2014: £14.2 million).

The £5.5 million year-on-year decrease in net cash consists of £7.1 million (net of placing costs) proceeds from an equity fund raise less £(12.1) million (2014: £(8.5) million) outflow from operating activities and £(0.5) million (2014: £(0.8) million) investing spend. No new businesses were acquired during the year.

The £(12.1) million (2014: £(8.5) million) outflow from operating activities included a £1.9 million net working capital outflow (2014: £2.3 million inflow), largely the result of higher fourth quarter revenues than in the prior year, along with £0.4 million (2014: £1.0 million) of payments in relation to reorganisation activities undertaken in late FY14. The balancing £(9.8) million outflow from operating activities (2014: £(9.8) million outflow) relates principally to the 'cash' operating loss (operating loss excluding non-cash items).

Investing spend included £(0.5) million of capital expenditure, mainly demonstration stock to support sales activities.

In April 2015, an agreement was signed 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.

### Dividends

The Board is not recommending the payment of a dividend (2014: £nil).

### Principal risks and uncertainties

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

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

### Risks relating to the Group's business

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

- developing good relationships with customers and partners, and exploiting these to deliver sales of the Group's capabilities;
- ensuring capabilities are delivered successfully to customers and partners, obtaining appropriate contractual sign-off and maintaining good levels of customer satisfaction;

- recruiting appropriately skilled staff;
- putting in place appropriate governance and controls, including meeting appropriate legal and financial obligations; and
- ensuring the Group obtains and is compliant with appropriate export control legislation.

### Mitigation

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

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

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

### 2. Dependence upon key intellectual property –

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

### Mitigation

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

**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 2015 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

22 June 2015

---

# Directors' biographies

---

## Tom Black, (55) 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 Pinnacle Technology Group plc and Herald Investment Trust plc, a Director of Grantdean Ltd and a trustee of the Black Family Charitable Trust.

---

## Colin Evans, (47) Chief Operating Officer



Colin was appointed a Director on 8 February 2010 and is responsible for engineering and operations at Digital Barriers. Colin has 21 years' experience working in the defence and homeland security market, 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.

---

## Zak Doffman, (43) 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 the last 20 years working across the technology and

professional services sectors, and the last 10 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.

---

## Sharon Cooper, (38) 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, (57) 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 Servelec plc, Node 4 Limited, Process Systems Enterprise 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, (54) 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, (50) Non-Executive Director**



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

roles. Paul has spent most of his career at AVEVA Group plc and served as Group Finance Director from March 2001 to December 2010. During this period, revenues increased from £28 million to £164 million, resulting in pre-tax profit of £63 million and a market capitalisation of over £1 billion. He is currently Non-Executive Director and Chairman of the Audit Committee of Escher Group Holdings plc, Ubisense Group plc and Anite plc, and Deputy Chairman of KBC Advanced Technologies plc and 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 2015.

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 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.

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 2012 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 advanced surveillance technologies to the security and defence sectors. Further information can be found within the Business review section on pages 6 to 10.

## Going concern

---

The Group and Company's business activities, together with factors likely to affect future development, performance and position are set out in the Strategic report incorporating the Chairman's statement on pages 2 to 4, the update on strategy on pages 4 to 5, the Business review on pages 6 to 10 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 11 to 15. In addition, notes 16 and 22 to the financial statements include the Group and Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group's net loss for the year was £17.9 million (2014: £14.6 million). As at 31 March 2015, the Group had net current assets of £18.1 million (2014: £20.5 million) and cash reserves of £8.7 million (2014: £14.2 million).

In April 2015, an agreement was signed 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 in to 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 2016. 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 for the year of £18.7 million (2014: £15.1 million).

## Dividends

The Directors are not recommending a dividend in respect of the year ended 31 March 2015 (2014: £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 developed 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 19 to the financial statements. As at the date of this report, 84,489,481 Ordinary Shares of 1 pence each ('Ordinary Shares') were in issue and fully paid with an aggregate nominal value of £844,894. In addition, 163,124 Incentive Shares of £1 each ('Incentive Shares') were in issue and fully paid with an aggregate nominal value of £163,124.

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'). Provision had not been made in the Articles for the circumstance whereby Incentive Shares were valued at nil and therefore did not convert to Ordinary Shares. Accordingly, a resolution will be proposed at the forthcoming AGM so that Incentive Shares which do not convert to Ordinary Shares on the relevant conversion date convert to Deferred Shares with very limited rights and value.

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, 25,171 shares have been issued from the Blocklisting facility. Accordingly at 31 March 2015, 574,829 (2014: 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 2015, 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.

---

## Directors' report continued

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 5 January 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 £281,632.

It is proposed at the forthcoming AGM to renew the authority to allot relevant securities up to an aggregate nominal amount of £281,632, being 33% of the nominal value of the current issued share capital.

Also at the general meeting held on 5 January 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 £42,245 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 £42,245, 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 8,448,948 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 2016. 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 22 June 2015, 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	16,370,758	19.38
Newton Investment Management	10,782,233	12.76
Herald Investment Management	6,214,712	7.36
M&G Investment Management	5,419,789	6.41
Old Mutual Global Investors	5,367,808	6.35
Aviva Investors	5,289,310	6.26
Tom Black	4,784,968	5.66
Artemis Investment Managers	4,641,892	5.49
GAM	4,240,000	5.02
Hargreave Hale, Stockbrokers	3,427,082	4.06
Henderson Global Investors	3,400,450	4.02
NFU Mutual	3,199,948	3.79

## 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, Colin Evans and Paul Taylor 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 £2.6 million (2014: £2.8 million) relates to development of hardware and software products.

### Employees

---

At 31 March 2015, the Group employed 150 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.

An employee satisfaction survey was undertaken in November 2014, the results of which were considered by the Board. As a result of the findings a number of initiatives were implemented including enhanced communication and briefings across the Group and a mentoring scheme for all employees. It is anticipated that the survey will be repeated later in 2015.

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 is in operation for some employees. This scheme will be used for the auto-enrolment regulations which will apply to the Company later in 2015.

### 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 markets in which they operate.

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

- meet all legislative requirements in respect of environmental issues;
- seek to conserve energy and natural resources by minimising waste, recycling where possible and maximising the use of renewable resources;
- adopt the highest standards of business ethics, including Bribery Act 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 11 to 15 and in notes 16 and 22 to the financial statements.

---

## Post balance sheet events

In April 2015, an agreement was signed 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.

---

## Political donations

No political donations were made during the year (2014: £nil).

---

## Disclosure of information to the auditor

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

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

For the purposes of this statement on disclosure of information to the external auditor, 'relevant audit information' is the information needed by the Company's external auditor in connection with the preparation of its report on page 41.

---

## Annual General Meeting

The AGM will be held at Cargo Works, 1–2 Hatfields, London SE1 9PG on Monday 21 September 2015 at 2.00 pm. The notice convening the meeting is on pages 80 and 81 together with details of the business to be considered and explanatory notes relating to each of the resolutions being proposed.

---

## Auditor

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

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

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

Registered in England and Wales No. 07149547

22 June 2015

# 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 2012 UK Corporate Governance Code ('the Code') published by the Financial Reporting Council, available at [www.frc.org.uk](http://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 the strength of character and independence of judgement and opinion and the fact that none of them:

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

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	11/11
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](http://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 market activity, together with the views of shareholders, were also provided to the Board.

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

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 30.

### 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 Director's 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 2015. 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 is shown in the table below:

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

### Audit Committee activity

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

- to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Group's financial performance, including reviewing significant financial reporting judgements and any disclosures contained in them;
- to review the Group's internal financial controls and its internal control and risk management systems including the management of intellectual property and to make recommendations to the Board;
- to consider the requirement for an internal audit function;
- to make recommendations to the Board, for it to be put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to agree the nature and scope of the external audit;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to review the Group's policy on the engagement of the external auditor to supply non-audit services and report to the Board, identifying matters in respect of which it considers action or improvement is needed and make recommendations as to the steps to be taken;

- to review the Group's whistle-blowing procedures; and
- to review the effectiveness of the audit process.

The Audit Committee's work during the year and up to the date of this report included:

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

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

#### External auditor

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

During the year, the Committee:

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

#### Auditor independence

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

Details of audit and non-audit-related fees paid to Ernst & Young LLP in the year under review are given in note 4 to the accounts on page 57.



### 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 2015, 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 2016.

The Audit Committee was satisfied, in view of their performance in respect of the 2015 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 21 September 2015.

### 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 2015;
- conditions applicable to the Bonus Scheme for the Executive Directors for the year commencing 1 April 2015;
- policy regarding the provision of equity incentive, and associated performance conditions, for Executive Directors and senior management later in 2015;
- awards, and associated performance conditions, made under the Long Term Incentive Plan and the Sharesave Scheme in 2014; 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	7/7
Paul Taylor	7/7

The Directors' 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 three times and details of Directors' attendance at those meetings 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 appointment of Zak Doffman as Chief Executive Officer;
- the appointment of Colin Evans as Chief Operating Officer;
- the transition of Tom Black to Non-Executive Chairman;
- the proposed re-election of Colin Evans at the forthcoming AGM; and
- the proposed re-election of Paul Taylor at the forthcoming AGM.

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

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

## 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 2015. This was an internal process using detailed questionnaires completed by all relevant Directors and collated and summarised by the Company Secretary. As a result of this process certain actions were agreed and are being implemented.

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

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

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

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

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

### Re-election

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

The AGM of the Company will be held on 21 September 2015. In accordance with the Articles, Colin Evans and Paul Taylor 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 matured during the year as the Group has developed. The effectiveness of these systems has been periodically reviewed by the Audit Committee and the Board. The internal control process is in accordance with the FRC Guidance on Internal Control (revised October 2005).

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

Key elements of the internal control system are described below:

- clearly defined management structure and delegation of authority to Board Committees and business units;
- high recruitment standards to ensure integrity and competence of staff;
- regular and comprehensive information provided to management, covering financial and non-financial performance indicators;
- technical, financial and legal due diligence undertaken prior to acquisitions;
- a detailed budgeting process where business units prepare budgets for the coming year for Board approval;
- monthly monitoring and re-forecasting of annual and half-yearly results against budget, with major variances followed up and management action taken where appropriate;
- procedures for the approval of capital expenditure, investments and acquisitions;
- regular review and updating of the Group risk register including the implementation of mitigating actions; and
- formal consideration of progress made against significant business risks on a quarterly basis.

The above system was in place for the 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 2015.

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.

#### **Approval**

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

**John Woolhead**  
Company Secretary

22 June 2015

---

# 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.

The Committee met seven times during the year and to the date of this report. 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. 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 2015

---

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 2016 and subsequent periods

---

Following a review of Executive Director remuneration arrangements, a similar structure of remuneration will be payable offering a competitive base salary, provide a bonus opportunity, two-thirds of which is payable in Deferred Shares, an award under the LTIP and provide other relevant benefits. Minor adjustments have been made to the structure of the bonus opportunity, full details of which are given on pages 33 and 34. Additional detail regarding each element of remuneration is given below;

### Base salary

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

### Bonus opportunity

Details of the bonus opportunity for executive directors with effect from 1 April 2015 are given on pages 33 and 34. The maximum bonus is capped at 150% of salary for Zak Doffman and 120% of salary for Colin Evans and Sharon Cooper. Two-thirds of the bonus is payable in Deferred Shares, to be held via a Deferred Share Bonus Plan ('the Plan'), which must be retained for three years. One-third of the bonus payable is payable either as cash or as fully vested shares (capable of immediate sale) via the Plan. The implementation of the Plan was approved at the 2013 AGM. Full details of the Plan are given on page 35.

### Long Term Incentive Plan (LTIP)

Following a detailed review in early 2015, the Committee has agreed that the Executive Directors should continue to be awarded shares under the LTIP. Full details of the awards made in June 2014 are given on page 38. It is anticipated that the following LTIP awards will be made in July 2015:

Zak Doffman	1,000,000 shares
Colin Evans	500,000 shares
Sharon Cooper	250,000 shares

It is anticipated that the performance condition attaching to these awards will be revenue based rather than dependant on Total Shareholder Return.

### Pension

Currently the Company does not provide an employer pension contribution for Executive Directors. The Remuneration Committee is aware of the new pension regulations requiring employer contributions which will impact the Company in August 2015. At this time the Executive Directors will be offered an employer pension contribution in line with the legislative requirements.

### Other benefits

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

### Base salary

A full review following a benchmarking report of Executive Director base salaries was undertaken in March 2012. This resulted in substantial increases in both April 2012 and April 2013.

It has been agreed that the salaries of all Executive Directors will remain unaltered in the year to 31 March 2016. Accordingly, the salary of Zak Doffman will remain at £280,000 (2014: £280,000), Colin Evans will remain at £310,000 (2014: £310,000) and Sharon Cooper will remain at £180,000 (2014: £180,000). These rates of base salary will remain in place until 31 March 2016.

The base salaries detailed above will be reviewed again in March 2016 as part of the Company's annual compensation review process.

### Bonus scheme

#### Year ending 31 March 2015

During the year under review, the Executive Directors participated in a bonus arrangement as detailed in the 2014 Annual Report.

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 2015.

Sharon Cooper was paid a bonus of £40,000 in June 2014 following the successful achievement of certain objectives set her on joining the Company in March 2014.

#### Year ending 31 March 2016

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 2016. 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 150% of basic salary and Colin Evans and Sharon Cooper a maximum bonus of 120% of basic salary. In all cases, one-third of any bonus will be payable in cash or fully vested shares, and two-thirds by the award of shares, via the Deferred Share Bonus Plan, which must be held for a period of three years from date of award. The deferred element of this bonus payment maintains focus on long-term performance and aids retention of key executives.

The annual bonus will relate to revenue and profit/loss targets only. The bonus payable to each of the Executive Directors will be determined by reference to the following revenue targets:

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

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

The 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 are approved by the Remuneration Committee following recommendations from the Executive Directors.

#### HMRC Approved Options

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

#### Top-Up Award

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

#### Parallel Option

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

#### Performance condition

All awards made to date under the LTIP are subject to a performance condition as detailed below:

Average annual compound growth in the Total Shareholder Return (TSR) of the Company over the three-year period commencing on the grant date	Percentage of an HMRC 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%

The Remuneration Committee has reviewed the performance condition relative to the LTIP. It is anticipated that future awards will be based on specific revenue targets, to be agreed at date of award, rather than TSR. The Committee believes that this revised performance condition will better meet the needs of the business and provide strong incentive to Executive Directors and senior managers to achieve targets which will deliver shareholder value. It will also provide a much better correlation between individual performance and achievement of the performance condition.

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 June 2014 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 96p, 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.

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 as detailed above and for other senior employees of the Group who may in the future have a similar bonus arrangement, was approved by the 2013 AGM.

The Plan provides for share awards to be granted under the Company's bonus arrangements for Directors and other senior employees. Awards under the Plan:

- must be granted within a six-week period following the announcement of preliminary or final results;
- will have an exercise price of £nil;
- will vest on the third anniversary of the date of grant or such other date determined by the Remuneration Committee prior to grant;
- will vest providing the Director or employee is a good leaver and will lapse if the Director or employee is a bad leaver; and
- contain clawback provisions in the case of material misstatement of the Company's financial results or if an error was made in assessing performance conditions leading to the award.

It is anticipated that if bonus payments to Executive Directors or senior management are to be settled via fully vested shares, as detailed on pages 33 and 34, this will be by way of an award under the Plan with an immediate vesting date.

The maximum number of shares which may be allocated under the Plan shall not, when aggregated with any other awards under any other employee share plan, exceed 10% of the shares then in issue for the ten-year period from 4 March 2010.

The scheme is administered by the Remuneration Committee.

### Dilution limits and Employee Benefit Trust

It is the policy of the Company that awards made under the LTIP, the Sharesave Scheme and via the Deferred Share Bonus Plan, 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 2015, potentially dilutive awards have been made and are still outstanding as detailed below

	31 March 2015	31 March 2014
Awards under the LTIP	2,771,864	1,704,143
Awards under the Sharesave Scheme	557,033	nil
Awards under the Deferred Share Bonus Plan	nil	nil
Total	3,328,897	1,704,143

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 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 20 on pages 66 to 69.

### Incentive Shares

On 22 February 2010, Tom Black, Colin Evans and Zak Doffman were issued a total of 217,500 Incentive Shares totalling £217,500 in a share for share exchange for Digital Barriers Services Limited shares, details of which are given in the table on page 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 (ie 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

## Remuneration report continued

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 2014, the 90-day vesting period commenced on 4 June 2014 and ended on 3 September 2014. 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 2014.

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 will be proposed at the forthcoming AGM so that Incentive Shares which did not convert to Ordinary Shares on the relevant conversion date convert to Deferred Shares with very limited rights and value. Full details are given in the notes to the AGM on page 82.

The table below details the Incentive Shares that remain outstanding.

	Incentive Shares (capable of conversion) held on 31 March 2014	Incentive Shares (not capable of conversion) held on 31 March 2015	Incentive Shares (capable of conversion) held on 31 March 2015
Tom Black	81,562	27,188	54,374
Zak Doffman	40,781	13,594	27,187
Colin Evans	40,781	13,594	27,187

If the remaining Incentive Shares had become convertible on 31 March 2015 and based on the share price of £0.385 on that day, all remaining Incentive Shares would lapse with no Ordinary Shares issued. Full details as to the basis of calculation was given in the Admission Document which is available on the Company's website.

### Pensions

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

However, a pension arrangement will be offered to Executive Directors in accordance with the auto-enrolment regulations which will apply to the Company later in 2015.

### 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 2015:

	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 2016.

## Directors' remuneration for the year ended 31 March 2015

	Basic salary/fees 2015 £'000	Pension 2015 £'000	Other 2015 £'000	Benefits 2015 £'000	Bonus 2015 £'000	Remuneration 2015 £'000	2014 £'000
<b>Executive Directors</b>							
Zak Doffman	280	nil	nil	1	nil	<b>281</b>	281
Colin Evans	310	nil	nil	1	nil	<b>311</b>	311
Sharon Cooper	180	nil	nil	1	40	<b>221</b>	15
Nik Holgate	nil	nil	nil	nil	nil	<b>nil</b>	46
<b>Non-Executive Directors</b>							
Tom Black	60	nil	nil	nil	nil	<b>60</b>	60
Bernie Waldron	35	nil	nil	nil	nil	<b>35</b>	35
Paul Taylor	35	nil	nil	nil	nil	<b>35</b>	35
<b>Total</b>	<b>900</b>	<b>nil</b>	<b>nil</b>	<b>3</b>	<b>40</b>	<b>943</b>	<b>783</b>

Sharon Cooper was appointed on 3 March 2014 and her 2014 remuneration detailed above has been presented from that date to 31 March 2014.

Nik Holgate stepped down from the Board on 8 July 2013 and left the Company on 30 August 2013 and his 2014 remuneration detailed above has been presented from 1 April 2013 to 8 July 2013.

All other Directors detailed above were in office during the year and remuneration has been presented from 1 April 2014 to 31 March 2015.

## 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 will expire 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:

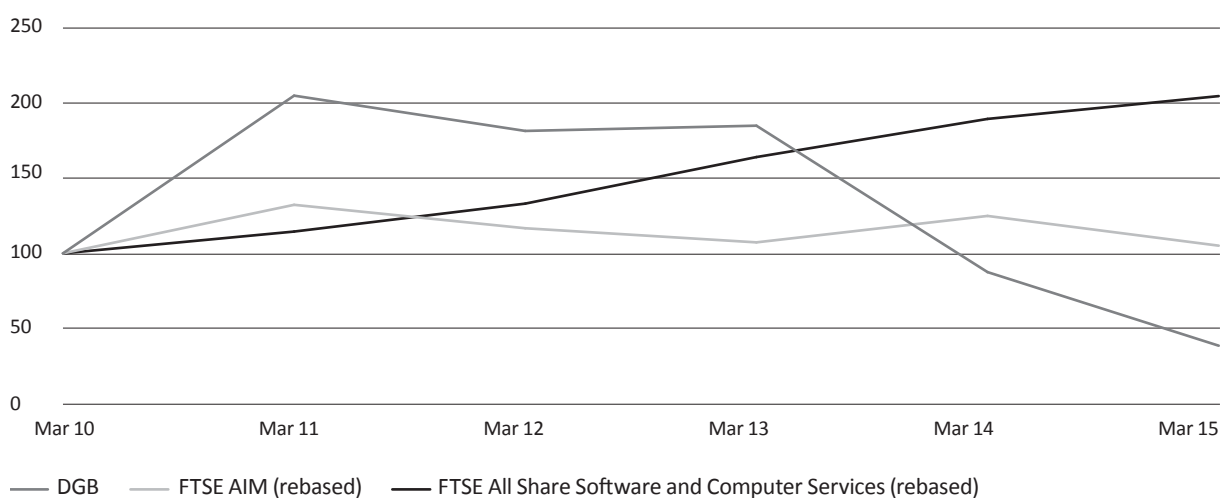
Non-Executive Chairman	Date of contract	Notice period (months)
Tom Black	23 October 2009	12
<b>Executive Directors</b>		
Zak Doffman	23 October 2009	12
Colin Evans	23 October 2009	12
Sharon Cooper	27 November 2013	6
<b>Independent Non-Executive Directors</b>		
Bernie Waldron	22 June 2015	1
Paul Taylor	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 2015 the Total Shareholder Return of Digital Barriers plc and the performance of FTSE Aim sector and the FTSE All Share Software and Computer Services index.

The share price of the Company on 8 February 2010 (being the date of the Company's IPO) was £1. During the year under review, the share price varied between £1.205 and £0.365 and at 31 March 2015 was £0.385.



## Share awards under the LTIP held at 31 March 2015

	At 1 April 2014	Awarded during the year	Lapsed during the year	Vested during the year	At 31 March 2015	Grant date	Exercisable from	Share price at grant	Exercise price
<b>Zak Doffman</b>									
LTIP award granted June 2014	nil	125,523	–	–	125,523	12/06/14	13/06/17 to 12/06/24	£1.195	n/a
<b>Total LTIP award</b>	<b>nil</b>	<b>125,523</b>	<b>–</b>	<b>–</b>	<b>125,523</b>				
comprising:									
HMRC Approved Options	nil	25,104	–	–	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	£1.195
Parallel Option <sup>(i)</sup>	nil	25,104	–	–	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	nil
Top-Up Award	nil	100,419	–	–	100,419	12/06/14	13/06/17 to 12/06/24	£1.195	nil
<b>Colin Evans</b>									
LTIP award granted June 2014	nil	125,523	–	–	125,523	12/06/14	13/06/17 to 12/06/24	£1.195	n/a
<b>Total LTIP award</b>	<b>nil</b>	<b>125,523</b>	<b>–</b>	<b>–</b>	<b>125,523</b>				
comprising:									
HMRC Approved Options	nil	25,104	–	–	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	£1.195
Parallel Option <sup>(i)</sup>	nil	25,104	–	–	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	nil
Top-Up Award	nil	100,419	–	–	100,419	12/06/14	13/06/17 to 12/06/24	£1.195	nil
<b>Sharon Cooper</b>									
LTIP award granted June 2014	nil	104,602	–	–	104,602	12/06/14	13/06/17 to 12/06/24	£1.195	n/a
<b>Total LTIP award</b>	<b>nil</b>	<b>104,602</b>	<b>–</b>	<b>–</b>	<b>104,602</b>				
comprising:									
HMRC Approved Options	nil	25,104	–	–	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	£1.195
Parallel Option <sup>(i)</sup>	nil	25,104	–	–	25,104	12/06/14	13/06/17 to 12/06/24	£1.195	nil
Top-Up Award	nil	79,498	–	–	74,498	12/06/14	13/06/17 to 12/06/24	£1.195	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 2015

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

#### 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 2015 Ordinary Shares	As at 1 April 2014 Ordinary Shares	As at 31 March 2015 Incentive Shares (capable of conversion)	As at 31 March 2015 Incentive Shares (not capable of conversion)	As at 1 April 2014 Incentive Shares
Tom Black	4,784,968	4,244,428	54,374	27,188	81,562
Zak Doffman	732,644	665,077	27,187	13,594	40,781
Colin Evans	774,920	693,839	27,187	13,594	40,781
Sharon Cooper	67,567	nil	nil	nil	nil
Bernie Waldron	113,536	59,482	nil	nil	nil
Paul Taylor	75,794	48,767	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 2015 and 22 June 2015.

Approved by the Board and signed on its behalf:

#### Bernie Waldron

Chairman, Remuneration Committee

22 June 2015

---

## 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 2015 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 Parent Company Balance Sheet and the related Consolidated notes 1 to 28 and Parent Company notes 1 to 11. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

## Respective responsibilities of directors and auditor

As explained more fully in the Group and Parent Company Statement of Directors' Responsibilities set out on pages 40 and 74, 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 2015 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 2015 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 UK Generally Accepted Accounting Practice; 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 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.



---

**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.

**Andy Glover (Senior Statutory Auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

22 June 2015

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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated income statement

for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
<b>Revenue</b>	2	<b>19,402</b>	19,042
Cost of sales		<b>(12,577)</b>	(10,319)
<b>Gross profit</b>		<b>6,825</b>	8,723
Administration costs		<b>(19,214)</b>	(24,341)
Other income	5	–	706
Other costs	5	<b>(6,353)</b>	(160)
<b>Operating loss</b>	4	<b>(18,742)</b>	(15,072)
Finance revenue	8	<b>45</b>	32
Finance costs	9	–	(27)
<b>Loss before tax</b>		<b>(18,697)</b>	(15,067)
Income tax	10	<b>785</b>	458
<b>Loss after tax attributable to owners of the parent</b>		<b>(17,912)</b>	(14,609)
<b>Adjusted loss:</b>			
<b>Loss before tax</b>	5	<b>(18,697)</b>	(15,067)
Amortisation of intangibles initially recognised on acquisition		<b>1,865</b>	1,733
Loss on disposal of businesses		<b>103</b>	–
Adjustments to deferred consideration		–	(679)
Reorganisation costs		–	1,860
Impairment of goodwill		<b>6,250</b>	–
Impairment of intangibles		–	160
<b>Adjusted loss before tax for the year</b>		<b>(10,479)</b>	(11,993)
<b>(Loss) per share – basic</b>			
(Loss) per share – basic	11	<b>(25.85p)</b>	(25.87p)
(Loss) per share – diluted	11	<b>(25.85p)</b>	(25.87p)
(Loss) per share – adjusted	11	<b>(14.12p)</b>	(21.49p)
(Loss) per share – adjusted diluted	11	<b>(14.12p)</b>	(21.49p)

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

# Consolidated statement of comprehensive income

for the year ended 31 March 2015

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
<b>Loss for the year</b>	<b>(17,912)</b>	<b>(14,609)</b>
<b>Other comprehensive income</b>		
Other comprehensive income that may be subsequently reclassified to profit and loss:		
Exchange differences on retranslation of foreign operations	(656)	9
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent years</b>	<b>(656)</b>	<b>9</b>
<b>Total comprehensive loss attributable to owners of the parent</b>	<b>(18,568)</b>	<b>(14,600)</b>

# Consolidated statement of financial position

at 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	683	1,108
Goodwill	13	18,186	24,802
Other intangible assets	14	2,092	3,857
		<b>20,961</b>	<b>29,767</b>
<b>Current assets</b>			
Inventories	15	4,499	3,895
Trade and other receivables	16	8,869	7,706
Current tax recoverable		1,513	826
Cash and cash equivalents		8,701	14,246
		<b>23,582</b>	<b>26,673</b>
<b>Total assets</b>		<b>44,543</b>	<b>56,440</b>
<b>Equity and liabilities</b>			
Attributable to equity holders of the Parent			
Equity share capital	19	845	646
Share premium		82,757	75,879
Capital redemption reserve		4,786	4,786
Merger reserve		454	454
Translation reserve		(868)	(212)
Other reserves		(307)	(307)
Retained earnings		(48,826)	(31,352)
<b>Total equity</b>		<b>38,841</b>	<b>49,894</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	10	116	194
Provisions	24	134	161
		<b>250</b>	<b>355</b>
<b>Current liabilities</b>			
Trade and other payables	17	5,261	5,608
Financial liabilities	18	163	163
Provisions	24	28	420
		<b>5,452</b>	<b>6,191</b>
<b>Total liabilities</b>		<b>5,702</b>	<b>6,546</b>
<b>Total equity and liabilities</b>		<b>44,543</b>	<b>56,440</b>

The financial statements on pages 43 to 73 were approved by the Board of Directors on 22 June 2015 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 2015

	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 2013	510	57,989	4,735	454	(221)	(307)	(17,267)	45,893
Loss for the year	–	–	–	–	–	–	(14,609)	(14,609)
Other comprehensive gain	–	–	–	–	9	–	–	9
Total comprehensive loss	–	–	–	–	9	–	(14,609)	(14,600)
Share placement	133	18,567	–	–	–	–	–	18,700
Share issue costs	–	(677)	–	–	–	–	–	(677)
Incentive share conversion	3	–	51	–	–	–	–	54
Share-based payment credit	–	–	–	–	–	–	524	524
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

# Consolidated statement of cash flows

for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
<b>Operating activities</b>			
Loss before tax		(18,697)	(15,067)
Non-cash adjustment to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	12	630	739
Amortisation of intangible assets	14	1,971	1,819
Impairment of goodwill	13	6,250	–
Impairment of intangible assets	14	–	160
Share-based payment transaction expense	20	438	524
Unrealised (gains)/loss on foreign exchange		(95)	–
Release of deferred consideration	5	–	(494)
Reassessment of deferred consideration	5	–	(212)
Disposal of fixed assets	12	56	178
Finance income	8	(45)	(32)
Finance costs	9	–	27
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		(1,262)	5,353
Increase in inventories		(604)	(2,116)
Decrease in trade and other payables		(62)	(919)
(Decrease)/increase in deferred revenue		(285)	704
(Decrease)/increase in provisions		(419)	581
Cash utilised in operations		(12,124)	(8,755)
Tax received		3	220
<b>Net cash flow from operating activities</b>		<b>(12,121)</b>	<b>(8,535)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	12	(532)	(624)
Expenditure on intangible assets	14	(3)	(8)
Payment of deferred consideration	21	–	(188)
Interest received		45	32
<b>Net cash flow utilised in investing activities</b>		<b>(490)</b>	<b>(788)</b>
<b>Financing activities</b>			
Proceeds from issue of shares	19	7,350	18,700
Share issue costs		(273)	(677)
<b>Net cash flow from financing activities</b>		<b>7,077</b>	<b>18,023</b>
Net (decrease)/increase in cash and cash equivalents		(5,534)	8,700
Cash and cash equivalents at beginning of year		14,246	5,544
Effect of foreign exchange rate changes on cash and cash equivalents		(11)	2
<b>Cash and cash equivalents at end of year</b>		<b>8,701</b>	<b>14,246</b>



---

# Notes to the financial information

## 1. Accounting policies

---

### Basis of preparation

The consolidated financial statements for the year include those of Digital Barriers plc and all of its subsidiary undertakings (together 'the Group') drawn up at 31 March 2015. The financial statements were authorised for issue by the Board of Directors on 22 June 2015 and the statement of financial position was signed on the Board's behalf by Zak Doffman and Sharon Cooper.

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.

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

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

The 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 2015 and applied in accordance with the Companies Act 2006. The accounting policies which apply in preparing the financial statements for the period are set out below.

### *Going concern*

The Group's net loss for the year was £17.9 million (2014: £14.6 million). As at 31 March 2015, the Group had net current assets of £18.1 million (2014: £20.5 million) and cash reserves of £8.7 million (2014: £14.2 million).

In April 2015, an agreement was signed 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 in to 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 2016. 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 financial statements. For this reason they have adopted the going concern basis in preparing the financial statements.

### 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

## 1. Accounting policies continued

contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

### *Intangible assets*

In accordance with IFRS 3R 'Business Combinations' goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3R also requires the identification of other intangible assets acquired. The method used to value intangible assets is the 'Income Approach' which requires the use of estimates which may differ from actual outcomes. The useful economic life of other intangibles requires the use of estimates which may differ from actual outcomes. Details of other intangibles are disclosed in note 14, 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 to sell 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 and long-term 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 13, together with details on the impairment of goodwill in the year ended 31 March 2015.

The carrying amount of intangible assets is disclosed in note 14.

### *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 21.

### *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 10.

### **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.

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

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

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

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

## 1. Accounting policies continued

---

### 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 five years;  
Order backlog – one to three years;  
Intellectual property – one to seven years;  
Patents – eight years; and  
Trademarks – ten years.

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

The carrying value of other intangible assets is reviewed for impairment when events or changes in circumstance indicate that it may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The asset's recoverable amount is the 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 derived from services billed to customers on a time and materials or fixed-price basis represents the value of work completed, including attributable profit, based on the stage of completion achieved on each project. For time and materials projects, revenue is recognised as services are performed. For fixed-price projects, revenue is recognised according to the stage of completion which is determined using the percentage-of-completion method based on the Directors' assessment of progress against key project milestones and risks, and the ratio of costs incurred to total estimated project costs. The cumulative impact of any revisions to the estimate of percentage-of-completion of any fixed-price contracts is reflected in the period in which such impact becomes known.

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

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

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

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

### Amounts recoverable on contracts

Amounts recoverable on contracts relates to costs incurred on specific contracts on which revenue has not yet been recognised.

## 1. Accounting policies continued

### 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 uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off to the income statement when they are identified.

### 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 date.

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

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

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

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

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

### Equity

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

### 1. Accounting policies continued

---

#### Research and development costs

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

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

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

Development costs not meeting these criteria are expensed in the income statement as incurred. When capitalised, development costs are amortised on a straight-line basis over their useful economic lives once the related software and hardware products are available to use. During the period of development the asset is tested for impairment annually. Development costs with a value of £nil (2014: £nil) have been capitalised in the period (see note 14).

#### 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.

#### 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.

## 1. Accounting policies continued

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 year. The resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

### Retirement benefits

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

### 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's 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 20). The Incentive Shares do not carry any voting or dividend rights and are not transferable except in limited circumstances. The holders of Incentive Shares can realise value from the shares either by converting them into Ordinary Shares or by the Company, at its election, responding to a request to so convert the shares by choosing to redeem them. They are treated as equity-settled awards with a market vesting condition. The fair value at the date at which the Incentive Shares were acquired was determined using a Stochastic model. This original fair value (£217,500) has been recognised as a current liability on the statement of financial position as it becomes repayable if the Executive Directors leave office.

At a General Meeting held on 27 December 2012, the terms relating to the Incentive Shares were changed, triggering a revaluation. The total amount to be expensed over the vesting period of the modified Incentive Shares has been calculated in the year by reference to the incremental fair value on 27 December 2012 of the modified Incentive Shares compared to the fair value on 27 December 2012 of the original Incentive Shares. This resulted in a charge to the Consolidated income statement in the year of £64,000 (2014: £106,000).

### 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 consolidated in the Group financial statements. Any consideration paid or received by the Trust for the purchase or sale of the Company's own shares is shown as a movement in shareholders' equity.

### 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 2015. The following standards, interpretations, and amendments to existing standards are mandatory as of 1 April 2014 unless otherwise stated and the impact is described below:

*IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets.* These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group early adopted these amendments to IAS 36 in the prior period since the amended/additional disclosures provide useful information as intended by the IASB.



### 1. Accounting policies continued

---

Accordingly, these amendments have been considered while making disclosures for impairment of non-financial assets in Note 13. These amendments continue to be considered for disclosures.

*IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements.* Effective for annual periods beginning on or after 1 January 2014. IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

*IFRS 12 Disclosure of Interests in Other Entities.* Effective for annual periods beginning on or after 1 January 2014. IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new.

*IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments).* Effective for annual periods beginning on or after 1 January 2014. The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity.

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

None of the above standards has had a material effect on the Group's performance or financial position.

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

*Annual improvement 2010-2012 cycle.* Effective for annual periods beginning on or after 1 July 2014. The IASB have issued seven amendments to six standards:

*IFRS 2 Share-based payments*

*IFRS 3 Business combinations*

*IFRS 8 Operating segments*

*IAS 16 Property Plant & Equipment and IAS 18 Intangible assets*

*IFRS 24 Related party disclosures*

*Annual improvement 2011-2013 cycle.* Effective for annual periods beginning on or after 1 July 2014. The IASB have issued amendments to following standards:

*IFRS 3 Business combinations*

*IFRS 13 Fair value measurement*

*IAS 40 Investment property*

*Amendment to IAS 1 – Disclosures initiative.* Effective for annual periods beginning on or after 1 January 2016.

*Annual improvement 2012-2014 cycle.* Effective for annual periods beginning on or after 1 January 2016. The IASB has issued amendments to the following standards:

*IFRS 5 Non-current assets held for sale and discontinued operations*

*IFRS 7 Financial instruments disclosures*

*IAS 19 Employee benefits*

*IAS 34 Interim financial reporting*

*IFRS 9 Financial instruments.* Effective for annual periods beginning on or after 1 January 2018.

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.

## 2. Revenue

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

	2015 £'000	2014 £'000
United Kingdom	12,309	14,038
Rest of World	7,093	5,004
	19,402	19,042

Revenue above included £339,000 (2014: £338,000) which related to contracts accounted for under the percentage-of-completion method. See note 3 for the analysis of revenue by Services and Products. Outside of the UK no single country represents a significant proportion of total revenues (2014: None).

All international revenue is generated from the Products Division.

### Analysis of revenue by customer

There has been no (2014: one) individually material customer in the products operating segment during the year. In the prior year, one customer was included within the products operating segment and represented £4,012,000 (or 21%) of Group turnover for the year.

There has been one material customer in the services operating segment in the year (2014: none). This customer represented £3,062,000 (or 16%) of Group turnover for the year.

## 3. Segmental information

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

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

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

### 3. Segmental information continued

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.

	Services 2015 £'000	Products 2015 £'000	Central 2015 £'000	Total 2015 £'000
Total segment revenue	7,460	12,272	–	19,732
Inter-segment revenue	–	(330)	–	(330)
<b>Revenue</b>	<b>7,460</b>	<b>11,942</b>	<b>–</b>	<b>19,402</b>
<b>Depreciation</b>	<b>55</b>	<b>575</b>	<b>–</b>	<b>630</b>
<b>Segment adjusted operating profit/(loss)</b>	<b>538</b>	<b>(7,046)</b>	<b>(4,016)</b>	<b>(10,524)</b>
Amortisation of intangibles initially recognised on acquisition	(430)	(1,435)	–	(1,865)
Loss on disposal of businesses	–	(103)	–	(103)
Impairment of goodwill	–	(6,250)	–	(6,250)
<b>Segment operating profit/(loss)</b>	<b>108</b>	<b>(14,834)</b>	<b>(4,016)</b>	<b>(18,742)</b>
Finance income				45
<b>Loss before tax</b>				<b>(18,697)</b>
Income tax credit				785
<b>Loss for the year</b>				<b>(17,912)</b>

	Services 2014 £'000	Products 2014 £'000	Central 2014 £'000	Total 2014 £'000
Total segment revenue	4,527	14,696	–	19,223
Inter-segment revenue	–	(181)	–	(181)
<b>Revenue</b>	<b>4,527</b>	<b>14,515</b>	<b>–</b>	<b>19,042</b>
<b>Depreciation</b>	<b>70</b>	<b>669</b>	<b>–</b>	<b>739</b>
<b>Segment adjusted operating loss</b>	<b>(97)</b>	<b>(7,257)</b>	<b>(4,671)</b>	<b>(12,025)</b>
Amortisation of intangibles initially recognised on acquisition	(432)	(1,301)	–	(1,733)
Adjustments to deferred consideration	–	706	–	706
Impairment of intangible assets	–	(160)	–	(160)
Reorganisation costs	–	–	(1,860)	(1,860)
<b>Segment operating loss</b>	<b>(529)</b>	<b>(8,012)</b>	<b>(6,531)</b>	<b>(15,072)</b>
Finance income				32
Finance costs				(27)
<b>Loss before tax</b>				<b>(15,067)</b>
Income tax credit				458
<b>Loss for the year</b>				<b>(14,609)</b>

#### Other segment information

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

#### 4. Group operating loss

The Group operating loss is stated after charging:

	2015 £'000	2014 £'000
Operating lease rentals – land and buildings	585	712
Operating lease rentals – other	174	126
Research and development costs	2,603	2,840
Depreciation of property, plant and equipment	630	739
Amortisation of intangible assets initially recognised on acquisition	1,865	1,733
Amortisation of other intangibles	106	86
Exchange differences	(218)	121

#### Auditors' remuneration

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

	2015 £'000	2014 £'000
<b>Audit services</b>		
Fees payable to the Company's auditor for the audit of the financial statements	86	75
The audit of the Company's subsidiaries	32	53
	118	128
<b>Non-audit services</b>		
Fees payable to the Company's auditor for audit related assurance services	30	16
Tax compliance services	33	42
Tax advisory services	10	21
	73	79

#### 5. Adjusted loss before tax

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

	2015 £'000	2014 £'000
Amortisation of intangibles initially recognised on acquisition	1,865	1,733
Loss on disposal of businesses <sup>(i)</sup>	103	–
Adjustments to deferred consideration <sup>(ii)</sup>	–	(679)
Reorganisation costs (note 6)	–	1,860
Impairment of goodwill and intangibles (notes 13 & 14) <sup>(iii)</sup>	6,250	160
<b>Total adjustments</b>	<b>8,218</b>	<b>3,074</b>

(i) 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.

(ii) Adjustments to deferred consideration in the prior year comprise releases of £494,000 and reassessments of £212,000 (see note 21c) partly offset by the unwind of discount on deferred consideration balances of £27,000.

(iii) A £6.25 million non-cash impairment charge has been recorded against the carrying value of goodwill within the Products 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 13.

In the prior year the restructuring programme referred to in note 6, resulted in an impairment, within the products operating segment, of certain customer relationships and intellectual property in relation to the LMW and Visimetrics acquired businesses. The total impairment of £160,000 was separately disclosed within Other costs in the Consolidated income statement. As a result the intangible assets of each entity have been impaired by £67,000 and £93,000 respectively, the carrying value of these assets is now nil.

## 6. Reorganisation costs

	2015 £'000	2014 £'000
Redundancy and related	–	1,167
Office closure	–	466
Other	–	227
Total pre-tax charge	–	1,860

The Group recognised £nil (2014: £1,860,000) of pre-tax reorganisation costs in relation to a restructuring programme to rationalise its cost base and concentrate resources on its strategic products. Office closure relates to five properties and covers rent, rates and dilapidation costs. Other primarily relates to stock write-down.

A balance of £162,000 (2014: £581,000) remained unpaid at the year end, this was included as a provision at the year end (note 24). This balance relates to an onerous lease expiring in the year 2020.

## 7. Employees

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

	Average 2015	At 31 March 2015	Average 2014	At 31 March 2014
Directors	6	6	6	6
Business units	111	115	187	157
Corporate	29	29	24	30
	146	150	217	193

The employee benefit expense for the period amounted to:

	2015 £'000	2014 £'000
Salaries and short-term employee benefits	9,193	12,475
Social security costs	1,398	1,404
Pension costs	164	174
Share-based payments (note 20)	438	524
	11,193	14,577

In the year ended 31 March 2014, employees costs included £1,167,000 of redundancy and other staff costs that had been classified as reorganisation costs (note 6).

## 8. Finance revenue

	2015 £'000	2014 £'000
Bank interest receivable	45	32

## 9. Finance costs

	2015 £'000	2014 £'000
Unwind of discount on deferred consideration	–	27

## 10. Taxation on ordinary activities

	2015 £'000	2014 £'000
<b>Current tax</b>		
Corporation tax	(400)	(229)
Adjustment in respect of prior year	(275)	–
Overseas tax	(32)	(60)
	<b>(707)</b>	<b>(289)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(94)	(174)
Adjustment in respect of prior year	16	43
Change in tax rate	–	(38)
	<b>(78)</b>	<b>(169)</b>
<b>Total tax credit for the year</b>	<b>(785)</b>	<b>(458)</b>

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:

	2015 £'000	2014 £'000
Loss before tax	<b>(18,697)</b>	(15,067)
Tax at the UK corporation tax rate of 21% (2014: 23%)	<b>(3,926)</b>	(3,465)
Tax effects of:		
Prior year adjustments	<b>(259)</b>	(52)
Expenses not deductible for tax purposes	<b>48</b>	57
Unrecognised deferred tax movements on amortisation of acquired intangible assets	<b>226</b>	146
Unrecognised deferred tax movements on depreciation in excess of capital allowances	<b>128</b>	164
Unrecognised deferred tax movements on share-based payments	<b>92</b>	121
Non-deductible impairment of goodwill	<b>1,313</b>	–
Adjustments to deferred consideration	<b>–</b>	(156)
Unrecognised deferred tax movements on unrelieved tax losses carried forward net of losses used against deferred tax liabilities	<b>1,784</b>	2,881
Difference in foreign tax rate	<b>(16)</b>	(110)
Research and development enhanced deduction in the UK	<b>(322)</b>	(97)
Losses surrendered	<b>579</b>	175
Research and development credit	<b>(432)</b>	(84)
Impact of rate change on deferred tax	<b>–</b>	(38)
<b>Total tax credit for the period</b>	<b>(785)</b>	<b>(458)</b>

### Deferred taxation

Deferred tax included in the income statement is as follows:

	2015 £'000	2014 £'000
Other intangibles	<b>(78)</b>	(169)

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

	2015 £'000	2014 £'000
At beginning of the year	<b>(194)</b>	(363)
Prior year adjustments	<b>(16)</b>	(43)
Origination and reversal of temporary differences	<b>94</b>	174
Change in tax rate	<b>–</b>	38
<b>At end of the year</b>	<b>(116)</b>	<b>(194)</b>

Announcements were made during the prior year by the Chancellor of the Exchequer for changes to corporation tax rates. This included a reduction in the corporation tax rate from 23% to 21%, effective from 1 April 2014 and, from 21% to 20% effective from 1 April 2015. Consequently the deferred tax asset would be calculated at the year-end using a tax rate of 20%. The deferred tax amount of £116,000 (2014: £194,000) represents £296,000 (2014: £553,000) relating to acquired intangible assets less an offset of £180,000 (2014: £359,000) relating to tax losses.



**10. Taxation on ordinary activities continued****Unrecognised deferred tax assets**

	2015 £'000	2014 £'000
Tax losses	<b>9,832</b>	8,457
	<b>9,832</b>	8,457

Unrelieved tax losses amount to approximately £47.5 million (2014: £44.0 million), which are available indefinitely for offset against future taxable trading profits. A deferred tax asset has not been recognised on £46.6 million (2014: £42.3 million) of these losses on the basis that there is insufficient evidence that this asset will be recoverable as at the statement of financial position's date. An asset will only be recognised with improved certainty and quantification of taxable profits.

**11. Loss per share****Unadjusted loss per share**

	Loss after taxation 2015 £'000	Weighted average number of shares 2015 No.	Loss per share 2015 Pence	Loss after taxation 2014 £'000	Weighted average number of shares 2014 No.	Loss per share 2014 Pence
<b>Basic loss per share</b>	<b>(17,912)</b>	<b>69,305,105</b>	<b>(25.85)</b>	(14,609)	56,472,084	(25.87)
<b>Diluted loss per share</b>	<b>(17,912)</b>	<b>69,305,105</b>	<b>(25.85)</b>	(14,609)	56,472,084	(25.87)

**Adjusted loss per share**

	Loss after taxation 2015 £'000	Weighted average number of shares 2015 No.	Loss per share 2015 Pence	Loss after taxation 2014 £'000	Weighted average number of shares 2014 No.	Loss per share 2014 Pence
Loss attributable to ordinary shareholders	<b>(17,912)</b>	<b>69,305,105</b>	<b>(25.85)</b>	(14,609)	56,472,084	(25.87)
Add back:						
Amortisation of acquired intangible assets, net of tax	<b>1,771</b>	—	<b>2.56</b>	1,559	—	2.76
Disposal of businesses	<b>103</b>	—	<b>0.15</b>	—	—	—
Adjustments to deferred consideration	—	—	—	(679)	—	(1.20)
Reorganisation costs	—	—	—	1,432	—	2.54
Impairment of goodwill	<b>6,250</b>	—	<b>9.02</b>	—	—	—
Impairment of acquired intangibles	—	—	—	160	—	0.28
<b>Basic adjusted loss per share</b>	<b>(9,788)</b>	<b>69,305,105</b>	<b>(14.12)</b>	(12,137)	56,472,084	(21.49)
<b>Diluted adjusted loss per share</b>	<b>(9,788)</b>	<b>69,305,105</b>	<b>(14.12)</b>	(12,137)	56,472,084	(21.49)

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 2015 and based on the share price of £0.385 (2014: £0.875) on that day, no (2014: 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.

## 12. Property, plant and equipment

	Leasehold improvements £'000	Office furniture and equipment £'000	Computers, ancillary equipment and electronic test equipment £'000	Vehicles £'000	Demonstration stock £'000	Total £'000
<b>Cost</b>						
At 31 March 2013	297	761	260	32	972	2,322
Additions	17	251	65	–	291	624
Disposals	(38)	(631)	(16)	(26)	–	(711)
Exchange movements	(1)	31	(2)	–	1	29
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
<b>At 31 March 2015</b>	<b>508</b>	<b>148</b>	<b>397</b>	<b>6</b>	<b>1,457</b>	<b>2,516</b>
<b>Accumulated depreciation</b>						
At 31 March 2013	62	352	47	28	463	952
Charge for the year	60	217	66	1	395	739
Disposals	(16)	(475)	(16)	(26)	–	(533)
Exchange movements	(1)	1	(2)	–	–	(2)
At 31 March 2014	105	95	95	3	858	1,156
Charge for the year	68	56	138	–	368	630
Disposals	(6)	(17)	(4)	–	(14)	(41)
Exchange movements	8	5	77	–	(2)	88
<b>At 31 March 2015</b>	<b>175</b>	<b>139</b>	<b>306</b>	<b>3</b>	<b>1,210</b>	<b>1,833</b>
<b>Net book value</b>						
<b>At 31 March 2015</b>	<b>333</b>	<b>9</b>	<b>91</b>	<b>3</b>	<b>247</b>	<b>683</b>
At 31 March 2014	170	317	212	3	406	1,108

## 13. Goodwill

	Goodwill £'000
At 31 March 2013 and 31 March 2014	24,802
Impairment of goodwill	(6,250)
Exchange movements	(366)
<b>At 31 March 2015</b>	<b>18,186</b>

### Carrying amount of goodwill allocated to operating segments

	2015 £'000	2014 £'000
Services	3,582	3,582
Products	14,604	21,220
	<b>18,186</b>	<b>24,802</b>

**13. Goodwill continued**

Goodwill acquired through business combinations has been allocated for impairment testing purposes to two groups of cash-generating Units ('CGUs'). These groups of CGUs are its two operating segments 'Services' and 'Products' as the goodwill relates to synergies at this level. The Group conducts annual impairment tests on the carrying value of the CGUs in the statement of financial position. Although required to perform annual impairment tests, these do not have to take place at 31 March but the test should be consistently carried out at the same time annually. The Group carries out its annual impairment testing as at 28 February each year. Impairment testing is only re-performed if an impairment triggering event occurs in the intervening period. As announced on 11 August 2014, the Group's original forecasts for the year ended 31 March 2015 were revised downwards. As a result the Group conducted an impairment test on the carrying value of the Product Division as at 30 September 2014.

Value in use calculations were used to determine the recoverable amount of the Product cash-generating unit at that time. The key assumptions for the value in use calculations were 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. In determining the key assumptions, management took into consideration the nature 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, cost base and pre-tax discount rates, and the pressure this placed on impairment calculations.

The Group prepared cash flow forecasts for the cash-generating unit based on the most recent two and a half year detailed financial forecasts at that time. These forecasts had been revisited in light of the announcement on 11 August 2014 and progression of the business through its phases of development. The cash flow forecasts were based on an internal assessment of the strength of the CGU in the markets in which it operates, the costs attributable to the CGU and the expected growth in revenue and margins, reflecting the size and opportunities in its core strategic markets. Revenue growth in years two and three was forecast at 40% and 20% per annum respectively based on lowered forecast, 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.

A further impairment test has been performed on both the Product and Services Divisions as at 28 February 2015 consistent with annual review cycles.

Value in use calculations are again used to determine the recoverable amount of cash-generating units. The key assumptions for the value in use calculations remain the forecast revenue growth of each CGU, the discount rate applied and the long-term growth rate of the net operating cash flows, along with the gross margin for Products. In determining the key assumptions, management have taken into consideration the 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 cost base of the Company has stabilised following the restructuring programme undertaken by the Group in the prior year and as a result the cost base is not considered to be a key assumption.

The Group prepares cash flow forecasts for these cash-generating units based on the most recent three-year detailed financial forecasts. The table below sets out the key assumptions included in these forecasts:

	Products		Services	
	2015	2014	2015	2014
Revenue growth compound from FY15 to FY18 (years one to three) <sup>(i)</sup>	<b>46%</b>	40%	<b>0%</b>	20%
Revenue growth from FY19 onwards (year four onwards) <sup>(ii)</sup>	<b>2.5%</b>	2.5%	<b>2.5%</b>	2.5%
Gross margin improvement compound from FY15 to FY18 (years one to three) <sup>(iii)</sup>	<b>8%</b>	0%	<b>0%</b>	16%
Discount rate <sup>(iv)</sup>	<b>10.6%</b>	11.6%	<b>10.0%</b>	10.9%

(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) Product gross margin is forecast to improve against FY15 as the product mix evolves through the next three years to include a greater proportion of software and standard solution sales. The forecast gross margin is in line with gross margins achieved by the Products segment in the recent past.

(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.

As a result of these assumptions, no impairment losses have been recognised to date for Services. No further impairment loss arises for Products based on these base assumptions and a full three-year detailed forecast, compared to a two and a half year detailed forecast as at 30 September 2014.

### 13. Goodwill continued

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

	Products	Services
Reduction in forecast revenue growth compound from FY15 to FY18 (years one to three)	-5%	-2%
Reduction in forecast revenue growth FY19 onwards (year four onwards)	-2.5%	-2.5%
Reduction in gross margin improvement compound from FY15 to FY18 (years one to three)	-3%	n/a
Increase in discount rate <sup>(iv)</sup>	2.5%	2.5%

(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.

If these assumptions were to change in isolation, they would not result in an impairment charge of goodwill within either Services or Products. 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 7% (compound over years one to three) or a 4% reduction in gross margin improvement (compound over years one to three) would result in the recoverable amount of Products 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 Products segment. There would be no impairment charge within Services.

### 14. Other intangible assets

	Patents and Trademarks £'000	Intellectual property £'000	Order backlog £'000	Customer relationships £'000	Total £'000
<b>Cost</b>					
At 31 March 2013	218	5,846	663	5,253	11,980
Purchased	–	8	–	–	8
At 31 March 2014	218	5,854	663	5,253	11,988
Purchased	–	3	–	–	3
Reclassifications	–	202	–	–	202
Exchange movements	–	13	–	–	13
<b>At 31 March 2015</b>	<b>218</b>	<b>6,072</b>	<b>663</b>	<b>5,253</b>	<b>12,206</b>
	Patents and Trademarks £'000	Intellectual property £'000	Order backlog £'000	Customer relationships £'000	Total £'000
<b>Accumulated amortisation</b>					
At 31 March 2013	46	2,710	491	2,905	6,152
Charge for the year	25	880	64	850	1,819
Provision for impairment	–	48	–	112	160
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
<b>At 31 March 2015</b>	<b>98</b>	<b>4,622</b>	<b>617</b>	<b>4,777</b>	<b>10,114</b>
<b>Net book value</b>					
<b>At 31 March 2015</b>	<b>120</b>	<b>1,450</b>	<b>46</b>	<b>476</b>	<b>2,092</b>
At 31 March 2014	147	2,216	108	1,386	3,857

The impairment in the prior year has been discussed in note 5.

**14. Other intangible assets** continued

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

	Carrying value 2015 £'000	Remaining useful life Years 2015	Carrying value 2014 £'000	Remaining useful life Years 2014
SAL customer relationships	–	–	156	1.0
Overtis Solutions customer relationships	–	–	–	1.0
COE customer relationships	60	0.4	203	1.4
Waterfall Solutions customer relationships	62	0.6	230	1.6
EVS customer relationships	181	0.9	363	1.9
Waterfall Solutions intellectual property	35	0.6	129	1.6
Zimiti intellectual property	375	1.2	697	2.2
Keeneo development costs	14	2.5	59	3.5
ThruVision intellectual property	196	1.9	297	2.9
Omniperception intellectual property	349	2.8	476	3.8

**15. Inventories**

	2015 £'000	2014 £'000
Raw materials	1,323	1,348
Work in progress	272	392
Finished goods and goods for resale	2,904	2,155
	4,499	3,895

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

	2015 £'000	2014 £'000
Opening provision	430	161
Released	(205)	–
Increase to provision (charged to cost of sales during year)	215	269
Closing provision	440	430

In addition to the above, in the year ended 31 March 2014 there was a £227,000 stock write off relating to reorganisation of Visimetrix (note 6) where there are a number of product lines that are being discontinued as non-core activities.

**16. Trade and other receivables**

	Gross carrying amounts 2015 £'000	Provision for impairment 2015 £'000	Net carrying amounts 2015 £'000	Gross carrying amounts 2014 £'000	Provision for impairment 2014 £'000	Net carrying amounts 2014 £'000
Trade receivables	9,112	(1,208)	7,904	6,562	(499)	6,063
Prepayments	439	–	439	430	–	430
Accrued income	350	–	350	119	–	119
Amounts recoverable on contracts	–	–	–	692	–	692
Other receivables	176	–	176	402	–	402
	10,077	(1,208)	8,869	8,205	(499)	7,706

The Group's credit risk on trade and other receivables is primarily attributable to trade receivables and amounts recoverable on contracts. One customer represents £989,000 (2014: £1,103,000) of the Group's trade receivables at 31 March 2015. There is no other significant concentration of credit risk.

## 16. Trade and other receivables continued

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:

	2015 £'000	2014 £'000
Government customers	1,370	1,451
Commercial customers	6,534	4,612
	<b>7,904</b>	<b>6,063</b>

Trade receivables of £1,225,000 (2014: £1,442,000) were past due but not impaired; trade receivables of £498,000 (2014: £nil) 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 2013	34
Provided in period	480
Released	(15)
At 31 March 2014	499
Provided in period	930
Utilised	(221)
<b>At 31 March 2015</b>	<b>1,208</b>

Trade receivables, net of an allowance of £1,208,000 (2014: £499,000) for doubtful debts, are aged as follows:

	2015 £'000	2014 £'000
Not due	6,181	4,621
Not more than three months past due	985	827
More than three months but not more than six months past due	110	143
More than six months past due	628	472
	<b>7,904</b>	<b>6,063</b>

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

## 17. Trade and other payables

	2015 £'000	2014 £'000
<b>Current</b>		
Trade payables	3,100	3,096
Accruals	1,296	1,173
Deferred income	419	704
Social security and other taxes	279	520
Other payables	167	115
	<b>5,261</b>	<b>5,608</b>

## 18. Financial liabilities

	2015 £'000	2014 £'000
<b>Current</b>		
Incentive shares	163	163

No (2014: 54,376) incentive shares were converted into Ordinary Shares (2014: 282,712). Further details on the incentive shares are provided in note 20.

The movement in the provision for deferred consideration is shown in note 21c.

**19. Share capital**

	Number	£'000
<b>Authorised, allotted, called-up and fully paid</b>		
<b>Ordinary Shares of 1 pence each</b>		
At 31 March 2013	50,959,590	510
Shares issued in the year	13,665,026	136
At 31 March 2014	64,624,616	646
Shares issued in the year	19,864,865	199
<b>At 31 March 2015</b>	<b>84,489,481</b>	<b>845</b>
	Number	£'000
<b>Authorised, allotted, called-up and fully paid</b>		
<b>Incentive Shares of £1 each</b>		
At 31 March 2014	163,124	163
<b>At 31 March 2015</b>	<b>163,124</b>	<b>163</b>

On 5 September 2013, 25,171 Ordinary Shares were issued to satisfy obligations under the Long Term Incentive Plan. On 4 November 2013, 13,357,143 Ordinary Shares were issued at 140 pence per share for a total cash consideration of £18,700,000. On 16 December 2013, 54,376 incentive shares were converted into 282,712 Ordinary Shares. 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.

Of the 163,124 incentive shares outstanding as at 31 March 2015, 108,748 remain capable of conversion. The balance of 54,376 are no longer capable of conversion, with further details set out in note 20.

**20. 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.

The performance and service conditions include 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.

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 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.



## 20. Employee share schemes continued

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

	HMRC Approved Options		Parallel Options	
	Number of options	Weighted average exercise price £	Number of options*	Weighted average exercise price £
Outstanding at 31 March 2013	527,563	1.692	527,563	nil
Granted	212,664	1.767	212,664	nil
Exercised <sup>(i)</sup>	(13,353)	1.560	(13,353)	nil
Forfeited	(270,029)	1.759	(270,029)	nil
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
<b>Outstanding at 31 March 2015</b>	<b>571,442</b>	<b>1.436</b>	<b>571,442</b>	<b>nil</b>
Exercisable at 31 March 2014	46,864	1.56	46,864	nil
<b>Exercisable at 31 March 2015</b>	<b>46,864</b>	<b>1.56</b>	<b>46,864</b>	<b>nil</b>

### For the year ended 31 March 2015:

Range of exercise prices	£1.195-£1.850	nil
Weighted average remaining contractual life	8.31 years	8.31 years
For the period ended 31 March 2014:		
Range of exercise prices	£1.500-£1.850	nil
Weighted average remaining contractual life	8.28 years	8.28 years

	Top-Up Awards		Sharesave Scheme	
	Number of options*	Weighted average exercise price £	Number of awards	Weighted average exercise price £
Outstanding at 31 March 2013	1,010,612	nil	–	–
Granted	571,348	nil	–	–
Exercised <sup>(i)</sup>	(11,818)	nil	–	–
Forfeited	(322,844)	nil	–	–
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)	nil
<b>Outstanding at 31 March 2015</b>	<b>2,200,422</b>	<b>nil</b>	<b>557,033</b>	<b>0.96</b>
Exercisable at 31 March 2014	23,636	nil	–	–
<b>Exercisable at 31 March 2015</b>	<b>23,636</b>	<b>nil</b>	<b>–</b>	<b>–</b>

### For the year ended 31 March 2015:

Range of exercise prices	nil	£0.96
Weighted average remaining contractual life	8.65 years	2.75 years
For the period ended 31 March 2014:		
Range of exercise prices	nil	–
Weighted average remaining contractual life	8.54 years	–

(i) Share price at the date of exercise was £1.560.

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

## 20. Employee share schemes continued

### Assumptions used in the valuation of share-based payment charge

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

	HMRC Approved Options 6 June 2013	Parallel Options 6 June 2013	Top-Up awards 6 June 2013	HMRC Approved Options 10 December 2013	Parallel Options 10 December 2013	Top-Up awards 10 December 2013
Number granted	137,843	137,843	418,940	74,821	74,821	152,408
Fair value per option/award	£0.33	£0.55	£0.89	£0.25	£0.45	£0.70
Share price on date of grant	£1.850	£1.850	£1.850	£1.615	£1.615	£1.615
Exercise price	£1.850	nil	nil	£1.615	nil	nil
Vesting period (years)	3.0	3.0	3.0	3.0	3.0	3.0
Volatility	27.0%	27.0%	27.0%	23.8%	23.8%	23.8%
Risk-free rate of return	0.52%	n/a	n/a	0.80%	n/a	n/a
Expected life (years)	3.0	3.0	3.0	3.0	3.0	3.0
Expected dividend yield	nil	nil	nil	nil	nil	nil

	HMRC Approved Options 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

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

A charge of £374,000 (2014: £418,000) has been made in the income statement to spread the fair value of the awards over the three-year service obligations of these incentives.

### Employee Benefit Trust

The Digital Barriers plc Employee Benefit Trust's (the 'Trust') objective is to hold shares in Digital Barriers plc to satisfy awards under the Long Term Incentive Plan. Costs of running the Trust are charged to the income statement. Shares held by the Trust are deducted from the profit and loss reserve and held at cost to the Trust. At 31 March 2015, the Trust did not hold any shares in the Company (2014: 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.

## 20. Employee share schemes continued

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 £64,000 (2014: £106,000).

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

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

### 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 2015 (vesting period 4 June 2014 to 3 September 2014).

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 will be proposed at the forthcoming AGM so that Incentive Shares which did not convert to Ordinary Shares on the relevant conversion date convert to Deferred Shares with limited rights. Full details are given in the notes to the AGM on page 82.

For the year ended 31 March 2014, the Company was in a close period for much of 2013 and therefore the first conversion date was delayed, consistent with the Articles, until 13 December 2013. On that date 54,376 shares, 25% of the total, were converted into 282,712 Ordinary Shares.

Full details as to the basis of calculation are given in the placing document available on the Company's website. The Incentive Shares will immediately vest on change of control following a takeover bid.

## 21. Business combinations

### a) Business combinations in the year ended 31 March 2014 and 2015

There were no acquisitions during the current or prior year.

### 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 Visimetrix (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.

### c) Movements on deferred consideration

As at 1 April 2013, the deferred consideration balance brought forward was £867,000. Adjustments to deferred consideration in the prior year comprised payments of £188,000, releases of £494,000 and reassessments of £212,000 partly offset by the unwind of discount on deferred consideration balances of £27,000. As at 31 March 2015, the maximum deferred consideration payable in the future is £nil (2014: £2.35 million).

## 22. 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 2015 £'000	Amortised cost 2014 £'000
<b>Assets as per statement of financial position</b>			
Trade receivables	16	<b>7,904</b>	6,063
Accrued income and amounts recoverable on contracts	16	<b>350</b>	811
Other receivables	16	<b>176</b>	402
Cash and cash equivalents		<b>8,701</b>	14,246
		<b>17,131</b>	21,522

	Note	On demand or less than one year 2015 £'000	One to two years 2015 £'000	Total 2015 £'000	On demand or less than one year 2014 £'000	One to two years 2014 £'000	Total 2014 £'000
<b>Liabilities</b>							
Trade payables	17	<b>3,100</b>	–	<b>3,100</b>	3,096	–	3,096
Accruals	17	<b>1,296</b>	–	<b>1,296</b>	1,173	–	1,173
Other payables	17	<b>167</b>	–	<b>167</b>	115	–	115
Incentive shares	18	<b>163</b>	–	<b>163</b>	163	–	163
Deferred consideration	21c	–	–	–	2,350	–	2,350
		<b>4,726</b>	–	<b>4,726</b>	6,897	–	6,897

### 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 Directors estimate that the carrying value of the financial assets and liabilities are not significantly different to their fair value. The Directors estimated that the remaining fair value of the final Visimetrix deferred consideration (Level 3) payable in December 2014 is £nil. None was paid in 2014 and there is no outstanding deferred consideration.

Please see note 21 and accounting policy for the assumptions used in determining the fair value of deferred consideration. 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.

### Financial risk management

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

### Credit risk

The Board monitors the Group's exposure to credit risk on an on-going basis. Cash investments are only allowed in liquid securities with major financial institutions that satisfy specific criteria. The maximum credit risk exposure at the statement of financial position's date is represented by the carrying value of financial assets. Cash investments are broadly split equally between four major financial institutions.

## 22. Financial instruments continued

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 16.

### 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 16.

### Foreign currency risk

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

To mitigate foreign exchange risk arising from transactions denominated in other currencies, forecast revenues and costs are regularly reviewed to assess any potential currency exposures and whether forward currency contracts should be put in place. Approximately 8% (2014: 11%) of Group revenue was invoiced in currencies other than Sterling.

There were no forward currency contracts entered into during the year (2014: nil).

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

The Group has total cash assets of £8,701,000 (2014: £14,246,000) of which £8,545,000 (2014: £13,802,000) are Sterling denominated and £156,000 (2014: £444,000) are in other currencies, mainly USD and Euro.

### Interest rate risk

The Group has £3,020,000 financial assets on 1-3 months' deposit at fixed rates between 0.25% and 0.65% (2014: £7,000,000) 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 £43,500 (2014: £71,000) of finance revenue. A decrease of 50 basis points would give rise to a reduction in finance revenue of £43,500 (2014: £71,000). A 50 basis points revenue risk on the £3,020,000 of 3 months fixed interest deposits is £15,100. 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 an agreement was signed 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 – further details found in note 27; this will serve to strengthen the liquidity risk management of the Group.

### Capital risk management

The Group defines its capital as its total equity. At this stage of the Group's development, its policy is to have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefit to investors and to fund its existing operations. At 31 March 2015, total equity amounted to £38,841,000 (2014: £49,894,000).

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.

## 23. Obligations under operating leases

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

	Land and buildings 2015 £'000	Other 2015 £'000	Total 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'000	Total 2014 £'000
<b>Future minimum lease payments payable</b>						
Within one year	499	141	640	519	147	666
After one year but not more than five years	778	180	958	355	7	362
After five years	14	–	14	36	–	36
	<b>1,291</b>	<b>321</b>	<b>1,612</b>	<b>910</b>	<b>154</b>	<b>1,064</b>

The Group has no sub-leases or contingent rentals.

## 24. Provisions

	Restructuring provision £'000	Onerous lease provision £'000	Total £'000
At 31 March 2013	–	–	–
Charged to income statement	1,198	397	1,595
Utilisation	(957)	(57)	(1,014)
At 31 March 2014	241	340	581
Utilisation	(241)	(178)	(419)
<b>At 31 March 2015</b>	<b>–</b>	<b>162</b>	<b>162</b>
<b>Current</b>	<b>–</b>	<b>28</b>	<b>28</b>
<b>Non-current</b>	<b>–</b>	<b>134</b>	<b>134</b>

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 £134,000 (2014: £161,000) non-current provision relates to a lease that expires in 2020.

## 25. Commitments

There are no capital commitments at 31 March 2015 (2014: nil).

The Group has provided guarantees to 2 (2014: 3) third party customers in relation to the performance and delivery of contracts. No liability is expected to arise as a result of these commitments.

## 26. 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'.

	2015 £'000	2014 £'000
Directors' remuneration	943	783
Gain on vesting of Incentive Shares	–	228
	<b>943</b>	<b>1,011</b>

The highest paid Director received £311,000 (2014: £311,000) in the year. Key management compensation comprises short-term employee benefits (including national insurance) of £1,073,000 (2014: £888,000) and share-based payments of £65,000 (2014: £58,000).

## 26. Related party transactions continued

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 arms-length market rates. There were no amounts outstanding at the year-end.

The Directors acquired shares in the year as detailed below:

	2015 £'000	2014 £'000
Tom Black	540,540	142,857
Zak Doffman	67,567	64,285
Colin Evans	81,081	48,571
Sharon Cooper	67,567	–
Paul Taylor	27,027	14,285
Bernie Waldron	54,054	25,000

All shares were subscribed at the time of the share placing described in note 19.

### Other interest in shares

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

## 27. Post balance sheet event

In April 2015, an agreement was signed 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.

## 28. Principal subsidiaries

In accordance with section 410(2) of Companies Act 2006, the following represent the principal subsidiary undertakings of the Group at 31 March 2015, all of which operate principally in their country of incorporation and are all wholly-owned by the Group:

Company name	Principal activity	Period of accounts	Group interest in allocated capital	Principally operates in	Country of incorporation
Digital Barriers Services Limited	Consulting services Integrated security solutions	1 April 2014 – 31 March 2015	100%	UK	England & Wales
Digital Barriers SAS (formerly Keeneo SAS)	Proprietary video analytics software solutions	1 April 2014 – 31 March 2015	100%	France	France
Codestuff Limited	Internet protocol video solutions	1 April 2014 – 31 March 2015	100%	UK	Scotland
OmniPerception Limited*	Standoff facial recognition	1 April 2014 – 31 March 2015	100%	UK	England & Wales

\* Held indirectly via intermediate holding companies.



---

## Statement of Directors' responsibilities – Company financial statements

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

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

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

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

# Company balance sheet

at 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
<b>Fixed assets</b>			
Investments	3	<b>42,943</b>	51,072
<b>Current assets</b>			
Debtors – amounts falling due after one year	4	<b>13,841</b>	14,203
Debtors – amounts falling due within one year	4	<b>20</b>	64
Total debtors		<b>13,861</b>	14,267
Cash at bank and in hand		<b>15,512</b>	10,451
		<b>29,373</b>	24,718
Creditors: amounts falling due within one year	5	<b>(319)</b>	(595)
<b>Net current assets</b>		<b>29,054</b>	24,123
<b>Net assets</b>		<b>71,997</b>	75,195
<b>Capital and reserves</b>			
Called-up share capital	6	<b>845</b>	646
Share premium account	7	<b>82,757</b>	75,879
Capital redemption reserve	7	<b>4,786</b>	4,786
Merger reserve	7	<b>106</b>	106
Other reserves	7	<b>1,174</b>	798
Profit and loss reserve	7	<b>(17,671)</b>	(7,020)
<b>Equity shareholders' funds</b>	7	<b>71,997</b>	75,195

The financial statements on pages 75 to 79 were approved by the Board of Directors on 22 June 2015 and were signed on its behalf by:

**Zak Doffman**  
Chief Executive Officer

**Sharon Cooper**  
Chief Financial Officer

---

# Notes to the Company balance sheet

## at 31 March 2015

### 1. Accounting policies

---

#### Basis of preparation

The Company financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. The financial statements were authorised for issue by the Board of Directors on 22 June 2015 and the balance sheet was signed on the Board's behalf by Zak Doffman and Sharon Cooper. The Company has taken advantage of an exemption available in FRS 1 'Cash Flow Statements' and has not prepared a cash flow statement.

#### Investments

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

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

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

#### Financial instruments

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

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

#### *Cash at bank and in hand*

Cash 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.

#### *Debtors*

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

#### Share-based payments

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

The Executive Directors have been issued an aggregate of 217,500 for Incentive Shares. The Incentive Shares only reward participants if shareholder value is created, thereby aligning the interests of the Executive Directors with those of shareholders. The Incentive Shares carry the right to 12.5% of any increase in the value of the Company in excess of the retail prices index after 1 February 2010 (as described in note 20 of the Group accounts). The Incentive Shares do not carry any voting or dividend rights and are not transferable except in limited circumstances. The holders of Incentive Shares can realise value from the shares either by converting them into Ordinary Shares or by the Company, at its election, responding to a request to so convert the shares by choosing to redeem them. They are treated as equity-settled awards with a market vesting condition. The total amount to be expensed over the vesting period of the Incentive Shares is determined by reference to the fair value at the date at which the Incentive Shares were acquired. The fair value is determined using a Stochastic model. The fair value of the Incentive Shares has been recognised as a current liability on the balance sheet as it becomes repayable if the Executive Directors leave office. The fair value of the Incentive Shares has been determined to be equivalent to the amount issued and hence no share-based payment charge has been recognised.

At a General Meeting held on 27 December 2012, the terms relating to the Incentive Shares were changed, triggering a revaluation. The total amount to be expensed over the vesting period of the modified Incentive Shares has been calculated in the year by reference to the incremental fair value on 27 December 2012 of the modified Incentive Shares compared to the fair value on 27 December 2012 of the original Incentive Shares. This resulted in a charge to the Consolidated income statement in the year of £64,000 (2014: £106,000).

## 1. Accounting policies continued

### Employee Benefit Trust

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

### Taxation

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

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

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

### Dividends

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

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

## 2. Loss attributable to members of the Parent Company

As permitted by section 408 of the Companies Act 2006, the Company has not presented its profit and loss account. The loss for the year dealt with in the accounts of the Company was £10,713,000 (2014: £1,170,000).

## 3. Investments

	Shares in Group undertakings £'000	Capital contributions £'000	Total £'000
<b>Cost</b>			
At 31 March 2013	21,681	550	22,231
Additions	–	345	345
Recapitalisation	–	32,000	32,000
Movements in deferred consideration (see note 21 in the Group accounts)	(475)	–	(475)
At 31 March 2014	21,206	32,895	54,101
Additions	–	376	376
Disposals	(3,461)	–	(3,461)
Recapitalisation	–	1,206	1,206
<b>At 31 March 2015</b>	<b>17,745</b>	<b>34,477</b>	<b>52,222</b>
<b>Amounts provided</b>			
At 31 March 2014	3,029	–	3,029
Provision for impairment	6,250	–	6,250
<b>At 31 March 2015</b>	<b>9,279</b>	<b>–</b>	<b>9,279</b>
<b>Net book value</b>			
<b>At 31 March 2015</b>	<b>8,466</b>	<b>34,477</b>	<b>42,943</b>
At 31 March 2014	18,177	32,895	51,072

Capital contributions include recapitalisation of the investment in:

- Digital Barriers SAS of £1,206,000 (2014: £nil). The recapitalisation was made in accordance with legal requirements in France.
- Digital Barriers Services Limited ('DBSL') of nil (2014: £32,000,000). The recapitalisation was made to provide funds to DBSL as it is the main trading company in the Group.

Further capital contributions in the period relate to share-based payments to employees of subsidiary undertakings of £376,000 (2014: £345,000).

## Notes to the Company balance sheet continued

### 3. Investments continued

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.

A provision for impairment of £6,250,000 was made in the 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 13 of the Group accounts.

All of the Company's investments are unlisted.

Details of the Company's principal investments are included in note 28 of the Group accounts.

### 4. Debtors

	2015 £'000	2014 £'000
<b>Amounts falling due after one year</b>		
Amounts owed by subsidiary undertakings	13,841	14,203
<b>Amounts falling due within one year</b>		
Other debtors	–	56
Prepayments and accrued income	20	8
	<b>20</b>	<b>64</b>

### 5. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	66	149
Accruals	67	98
Incentive shares (note 6)	163	163
Social security and other taxes	23	42
Amounts due to subsidiary undertakings	–	143
	<b>319</b>	<b>595</b>

### 6. Share capital

	Number	£'000
<b>Authorised, allotted, called-up and fully paid</b>		
<b>Ordinary Shares of 1 pence each</b>		
At 31 March 2013	50,959,590	510
Shares issued in the year	13,665,026	136
At 31 March 2014	64,624,616	646
Shares issued in the year	19,864,865	199
<b>At 31 March 2015</b>	<b>84,489,481</b>	<b>845</b>
	Number	£'000
<b>Authorised, allotted, called-up and fully paid</b>		
<b>Incentive Shares of £1 each</b>		
At 31 March 2014	163,124	163
<b>At 31 March 2015</b>	<b>163,124</b>	<b>163</b>

On 5 September 2013, 25,171 Ordinary Shares were issued to satisfy obligations under the Long Term Incentive Plan. On 4 November 2013, 13,357,143 Ordinary Shares were issued at 140 pence per share for a total cash consideration of £18,700,000. On 16 December 2013, 54,376 incentive shares were converted into 282,712 Ordinary Shares. 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.

Of the 163,124 incentive shares outstanding as at 31 March 2015, 108,748 remain capable of conversion. The balance of 54,376 shares are no longer capable of conversion.

## 7. Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserves £'000	Profit and loss reserve £'000	Total shareholders' funds £'000
At 31 March 2013	510	57,989	4,735	106	453	(6,029)	57,764
Shares placement	133	18,567	–	–	–	–	18,700
Share issue costs	–	(677)	–	–	–	–	(677)
Incentive share conversion	3	–	51	–	–	–	54
Share-based payment credit	–	–	–	–	345	179	524
Loss for the year	–	–	–	–	–	(1,170)	(1,170)
At 31 March 2014	646	75,879	4,786	106	798	(7,020)	75,195
Shares placement	199	7,151	–	–	–	–	7,350
Share issue costs	–	(273)	–	–	–	–	(273)
Share-based payment credit	–	–	–	–	376	62	438
Loss for the year	–	–	–	–	–	(10,713)	(10,713)
<b>At 31 March 2015</b>	<b>845</b>	<b>82,757</b>	<b>4,786</b>	<b>106</b>	<b>1,174</b>	<b>(17,671)</b>	<b>71,997</b>

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

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

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

## 8. Related party transactions

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

Transactions with the Directors of the Company are disclosed in the Remuneration report and in note 26 of the Group accounts.

## 9. Contingent liabilities

The Company has entered into cross-guarantee arrangements in respect of the banking facilities of other Group companies. The Company's exposure at 31 March 2015 was £nil (2014: £nil).

## 10. Post balance sheet event

In April 2015, an agreement was signed 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.

## 11. Statutory and other information

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

Directors' remuneration is disclosed in note 26 of the Group accounts.

The fee for the audit of the Company was £5,000 (2014: £5,000). The Company's individual accounts do not disclose fees for other services required by Regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration) Regulations 2008 as exempt because the Group accounts are required to comply with and include the disclosures required by Regulation 5(1)(b).

---

# Digital Barriers plc

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the 'AGM') of Digital Barriers plc (the 'Company') will be held at the registered office of the Company, Cargo Works, 1–2 Hatfields, London SE1 9PG at 2.00 pm on 21 September 2015 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, 9 and 10 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 2015 and the reports of the Directors and auditors thereon.
2. To approve the Directors' remuneration report for the year ended 31 March 2015.
3. To re-elect Paul Taylor as a Director, who retires in accordance with the Company's Articles of Association.
4. To re-elect Colin Evans as a Director, who retires in accordance with the Company's Articles of Association.
5. To re-appoint Ernst & Young LLP as auditors of the Company to hold office from the conclusion of this AGM until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.
6. To authorise the Directors to determine the remuneration of the auditors.

### Special business

---

7. That, in substitution for any existing authorities and powers granted to the Directors pursuant to section 551 of the Companies Act 2006 (the 'Act') prior to the passing of this resolution, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers of the Company to allot shares in the Company, and to grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being 'relevant securities') up to an aggregate nominal amount of £281,632 and unless previously renewed, revoked, varied or extended this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 18 months after the date of passing of this resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if this 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 £42,245; 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 £42,245 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 18 months after the date of passing of this resolution, except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.



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 8,448,948;
- (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.

10. That the Articles of Association of the Company produced to the AGM and initialled by the chairman of the AGM for the purposes of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board:

**John Woollhead**  
Company Secretary

22 June 2015

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 £281,632, representing approximately one-third of the nominal value of the issued Ordinary Share capital of the Company as at 22 June 2015, 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 18 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 £42,245, representing approximately 5% of the nominal value of the issued Ordinary Share capital of the Company as at 22 June 2015 (being the latest practicable date before publication of this notice) for general purposes plus an additional amount of £42,245 (representing approximately 5% of the nominal value of the issued Ordinary Share capital of the Company as at 22 June 2015) 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 18 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 8,448,948 Ordinary Shares (representing approximately 10% of the Company's issued Ordinary Share capital as at 22 June 2015, 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.

### Resolution 10 – Adoption of new Articles of Association

This resolution authorises the Company to adopt new Articles of Association which address the circumstances in which the Incentive Shares (as defined in the existing Articles of Association) are valued at zero (in accordance with the provisions of the existing articles of association) and shall be converted into Deferred Shares and, accordingly, incorporates provisions for a new class of Deferred Shares.

The Deferred Shares shall have a nominal value of £1.00 each and shall not entitle their holders to any dividend rights or voting rights and shall only have very limited capital rights. The Company shall retain the right to purchase the Deferred Shares in issue at any time to the extent permitted by the Companies Act 2006.

A copy of the proposed new Articles of Association of the Company, and a copy of the existing Articles of Association marked to show the proposed changes, will be made available for inspection at the registered office of the Company.

#### 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 0870 707 1889 or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name on the reverse of the proxy form the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. 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 17 September 2015 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 0870 707 1889 to request a change of address form or go to [www.investorcentre.co.uk](http://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.
12. A copy of the proposed new Articles of Association of the Company, and a copy of the existing Articles of Association marked to show the changes proposed in resolution 10 will be made available for inspection at the registered office of the Company, Cargo Works, 1–2 Hatfields, London SE1 9PG from the date of this Notice of AGM during normal business hours on any weekday (Saturday, Sunday or public holidays excluded) until the end of the AGM.

---

# Officers and professional advisors

---

## Directors and officers

**Tom Black**

Non-Executive 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

Cargo Works

1–2 Hatfields

London SE1 9PG

Registered No: 07149547

---

## Registrars

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS13 8AE

---

## Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

---

## Nominated Advisor

Investec

2 Gresham Place

London

EC2V 7QP

---

## Financial PR

F T I Consulting

Holborn Gate, 26 Southampton Buildings

London WC2A 1PB

---

## Bankers

HSBC

City of London Corporate Banking Centre

60 Queen Victoria Street

London EC4N 4TR

---

## Solicitors

Osborne Clarke

One London Wall

London EC2Y 5EB



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

[www.digitalbarriers.com](http://www.digitalbarriers.com)