

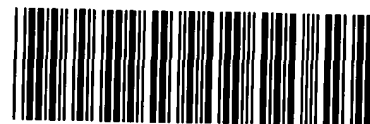
Eagle Eye Solutions Limited

Strategic and Directors' report and financial statements

Registered number 4745717

30 June 2018

TUESDAY



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COMPANIES HOUSE

Company information

Directors	Tim Mason Steve Rothwell Lucy Sharman-Munday
Secretary	Lucy Sharman-Munday
Company number	4745717
Registered office	5 New Street Square London EC4A 3TW
Bankers	Barclays Bank plc 27 Soho Square London W1D 3QR
Independent auditor	RSM UK Audit LLP Chartered Accountants Ninth Floor 3 Hardman Street Manchester M3 3HF

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Strategic report

Principal activities, business review and future developments

The principal activity of the Company is the marketing, validation and redemption of digital promotions in real-time for the grocery, retail and hospitality industries.

Business review and future developments

Financial	2018 £000	2017 £000
Revenue	10,811	8,505
Loss before interest and tax	(4,050)	(3,011)
Cash and cash equivalents	1,207	333
Non-financial	2018	2017
Number of redemptions	160.8m	61.5m
Messaging volumes	56.1m	44.4m

The last two years have seen us make significant investments in our people and processes and offering, including the launch of the Digital Wallet bringing together all of the services of the AIR platform, such that we now have a compelling capability matched by proven scale to deliver and grow, both in the UK and internationally.

This Year's success has been made possible by the implementation of important changes at all levels of the business, with a particular focus on our culture and people, introduced over the last two years by Tim Mason since his appointment as CEO. As well as the recruitment of experts, we have seen successful internal promotions into key roles. The senior management team is now supported by a bigger and more experienced team with a broader skill set, who together are capable of driving the business into its next stage of growth.

We have continued to deliver against our "Win, Transact and Deepen" strategy, which has helped us win new customers, increase transactions from existing customers and deepen our customer relationships, both in the UK and internationally. Notable successes include the signing of new customers, such as Greene King, Scottish fashion chain M&Co. and Boparan (a group that owns the brands Ed's Easy Diner, Giraffe, Harry Ramsden's and Fishworks).

In the year we have successfully renewed key contracts with Greggs, Mitchells and Butlers, M&S and PizzaExpress. This is the first year in which we have measured customer churn, and I am pleased to report that this was low at 1.7% in value (FY17: 2.6%). Importantly, this low churn rate together with these renewals are the proof points of the continued and growing relevance of the AIR platform for competing in today's rapidly changing retail landscape.

Notably, we also signed several new partners in the Year, including Groupon and Google, and ran a number of brand campaigns through our Food & Beverage ("F&B") network with leading brands, including Old Mout, Bacardi and Gordons. While we now have the proven capability to support Tier 1 retailers, our offering is relevant to consumer-facing operators and brands across all sectors and of all sizes, with each adding to our network and the growth of our redemption and interaction volumes and recurring revenues.

Outlook

We have had a positive start to trading in the year, including the signing of Burger King, our first QSR client, which we expect to drive additional volume growth in the year ahead. Whilst it is still early in the current financial year, the momentum and number of visible sales opportunities in the pipeline give the Board confidence that trading is in line with its expectations for the full year. In order to achieve our targets, the focus for the team in the year ahead will be to convert these opportunities and continue to deepen our existing customer accounts.

The size of our market opportunity underlines our belief that we are just at the start of our journey and we look to the future with confidence

Strategic report (continued)

Principal risks and uncertainties

Evolution of the market

The Company operates in an evolving market and there is a possibility that the rate of growth in mobile commerce will not match independent predictions or that users of mobile devices will change their behaviour with respect to mobile commerce. The Company's services are new and continually evolving and it is difficult to predict the future growth rates, if any, and the size of these markets. Even if the market for the Company's products develops as anticipated, the Company may face severe competition from other businesses offering similar products and services and there can therefore be no assurance that the Company will be able to secure customers for its products and services on acceptable terms and conditions, or successfully adjust the Company's strategy to meet the changing market dynamics.

These risks are mitigated by the strength and experience of the Company's management team.

Technological changes could overtake the products being developed by the Company

The Company's business is dependent upon technology which could be superseded by superior technology, more competitively priced technology or a shift in retail practices which could affect both the potential profitability and the saleability of the Company's product offering. Staying abreast of technological changes may require substantial investment. The Company's existing software products need to develop continually in order to meet customer requirements. The Company may encounter delays and incur additional development and production costs and expenses, over and above those expected by the Directors, in order to develop suitable technologies and products. The technology used in the Company's products is still evolving and is highly complex and may change rapidly. Research and development by other companies may render any of the Company's products in development, or currently available, obsolete. This risk is primarily mitigated by the quality of the technical staff recruited and investment in defining and refining the product roadmap.

Protection of intellectual property

The Company's success and ability to compete effectively are in large part dependent upon exploitation of proprietary technologies and products that the Company has developed internally, the Company's ability to protect and enforce its intellectual property rights so as to preserve its exclusive rights in respect of those technologies and products, and its ability to preserve the confidentiality of its know-how. The Company relies primarily on enforcement of its pending and granted patents under applicable patent laws and non-disclosure agreements to protect its intellectual property rights. No assurance can be given that the Company will develop further technologies or products which are patentable or that patents will be sufficiently broad in their scope to provide protection for the Company's intellectual property rights against third parties.

Patents pending or future patent applications may not be granted and the lack of any such patents may have a material adverse effect on the Company's ability to develop and market its proposed products. Where patents have been granted the Company may not have the resources to protect any such issued patent from infringement. There is a significant delay between the time of filing of a patent application and the time its contents are made public, and others may have filed patent applications for subject matter covered by the Company's pending patent applications without the Company being aware of those applications. The Company's patent applications may not have priority over patent applications of others and its pending patent applications may not result in issued patents. Even if the Company obtains patents, they may not be valid or enforceable against others. Moreover, even if the Company receives patent protection for some or all of its products, those patents may not give the Company an advantage over competitors with similar products. Furthermore, the Company cannot patent much of the technology that is important to its business. If the Company fails to obtain adequate access to, or protection for, the intellectual property required to pursue its strategy, the Company's competitors may be able to take advantage of the Group's research and development efforts.

Once granted, a patent can be challenged both in the patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

Product risk

The Company's business involves providing customers with highly reliable software and services. If the software or services contain undetected defects when first introduced or enhanced, the Company may fail to meet its customers' performance requirements or otherwise satisfy the contract specifications. As a result, it may lose customers and/or may become liable to them for damages. Whilst the Company has liability insurance in place and endeavours to negotiate limitations on its liability in its customer contracts, this is not always commercially possible. Additionally, the Company is committed to developing products for its customers on a set timeline. However, the pace of progress of the development projects may not be as expected and the Company could fail to meet its customers' timing or performance requirements. As a result of these risks, the Company may lose customers, may become liable to those customers for damages and may suffer damage to its reputation.

The Company has service level commitment obligations with some of its customers in which it provides various guarantees regarding levels of service. The Company may not be able to meet these levels of service due to a variety of factors, both inside and outside the Company's control. If the Company fails to provide the levels of service required by the agreements, such customers may be entitled to terminate their contracts or may choose not to enter into new work orders with the Company and this may also damage the Company's reputation and reduce the confidence of the Company's customers in its software and services, impairing its ability to retain existing customers and attract new customers.

Online security breaches, data loss and fraud

Security breach and fraud remain key concerns in the online payments world and any security breach or fraud event might deter consumers from purchasing goods via online voucher and offer content or using a Digital Wallet. Any move away from the mobile channel for purchasing goods could have a negative impact on the Company's growth prospects and revenues.

Security breach and fraud may also lead to regulatory investigations, sanctions (including fines) and litigation with clients and consumers. Any regulatory investigation or litigation may be costly and may divert efforts and attention of the Company's key management and other personnel and resources, may cause wider reputational damage to the Company and may result in existing clients terminating contracts and deter potential new clients from becoming actual clients.

Any compromise of the Company's systems, security breaches or data loss may result in the temporary inability of the Company to operate its services and clients' mobile sites and applications and therefore may have a detrimental impact on the Company's revenues, both directly through the inability of the Company's clients to trade or of the Company to authenticate offers, and indirectly through loss of confidence in the security of the Company's platform.

In line with its ISO 27001 accredited procedures, the Company uses a third-party security and data compliance service to monitor and mitigate against this risk in addition to client specific security testing and has robust business continuity procedures in place.

Dependence on key sectors

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

Reliance on key suppliers

The Company is dependent on a small number of key suppliers for the hosting of its IT infrastructure and delivery of messaging services. A disruptive event affecting any one of these suppliers could mean that the Company is unable to meet its customers' timing or performance requirements. As a result of these risks, the Company may lose customers, may become liable to those customers for damages and may suffer damage to its reputation. To mitigate against this risk, the Company has service level agreements in place with these key suppliers and has multiple suppliers and sites, including a live disaster recovery site, to ensure continuity of service to its customers.

Exit of UK from European Union

The UK has voted in an advisory referendum to leave the European Union (commonly referred to as "Brexit"). While negotiations between the UK and the European Union continue, the impact of Brexit is not yet clear, but it may significantly affect the fiscal, monetary and regulatory landscape in the United Kingdom, and could have a material impact on its economy and the future growth of its various industries. Depending on the exit terms negotiated, the United Kingdom could lose access to the single European Union market and the global trade deals negotiated by the European Union on behalf of its members. Such a change in trade terms could affect the attractiveness of the United Kingdom as an investment centre and, as a result, could have a detrimental effect on UK companies. This may impact the Company's ability to access funding in the future, and its prospects. Although no direct impact is expected to the Company's relationship with its customers and key suppliers, it is not possible at this point in time to predict fully the effects of an exit of the UK from the European Union; it could have a material effect on the Company's business, financial condition and results of operations. In particular, it may impact the Company's ability to recruit suitably skilled staff for its UK-based operations.

Financial risk management objectives and policies

The Company's financial instruments at the year end comprised cash and various non-derivative financial investments such as trade debtors and trade creditors.

The Company uses financial instruments to manage financial and commercial risk whenever it is appropriate to do so. The directors do not consider there to be any significant risks arising from the Company's investment policies.

Currency risk

The vast majority of the Company's revenues and costs are in sterling and involve no currency risk. At the end of the financial year the Company has no material currency exposure.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade receivables from customers and cash deposits with financial institutions. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit checks are performed on new and potential customers, receivable balances are monitored on an ongoing basis with the aim of minimising the Company's exposure to bad debt. The Directors consider the above measures to be sufficient to control the credit risk exposure.

Liquidity risk

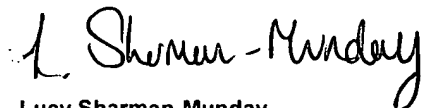
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation.

During the year the Company's ultimate parent undertaking, Eagle Eye Solutions Group plc, extended its three year revolving loan facility with Barclays to £5.0 million (2017: £3.0 million), secured on the assets of Group companies, including those of the Company. At the date of these financial statements £1.1m of this facility had been utilised.

The Directors manage liquidity risk by regularly reviewing the Company's cash requirements by reference to short-term cash flow forecasts and medium term working capital projections prepared by management.

Approval

The Strategic Report was approved by the Board on 7 November 2018 and signed on its behalf by:



Lucy Sharman-Munday
Director

Directors' report

The Directors present the directors' report for the year ended 30 June 2018.

The Strategic Report on pages 1 to 4 reports on the Company's performance during the financial year and its future prospects. The information that fulfils the requirement of the Business Review is contained within the Strategic Report and is incorporated into this report by reference.

Directors

The directors who served during the period are listed below. All directors served throughout the period unless otherwise indicated.

Tim Mason
Steve Rothwell
Lucy Sharman-Munday

The Company has agreed to indemnify its directors against third party claims which may be brought against them and has put in place a directors' and officers' insurance policy.

Research and development

Details of the Company's policy for the recognition of expenditure on research and development of its Eagle Eye Air platform are set out in note 1 of the financial statements.

Going concern

Although the Company has net current liabilities of £10.0 million, the Company's ultimate parent undertaking, Eagle Eye Solutions Group plc, has indicated via a letter of support that it will continue to provide further financial support as necessary, and will not call for repayment of amounts owed to it by the Company for at least 12 months from the date of approval of these financial statements. On this basis, the directors feel it is appropriate to continue to prepare the financial statements on a going concern basis.

Strategic report

The Company has chosen in accordance with the Companies Act 2006, section 414C, to set out in the Company's strategic report on pages 1 to 4 information required to be contained in the directors' report by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7, where not already disclosed in the directors' report.

Statement as to disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Eagle Eye Solutions Limited
Financial Statements for the year ended 30 June 2018

Auditor

RSM UK Audit LLP were appointed for the year ended 30 June 2018 and have indicated their willingness to continue in office.

By order of the board

A handwritten signature in black ink, appearing to read 'L. Sharman-Munday', written in a cursive style.

Lucy Sharman-Munday
Company Secretary

5 New Street Square
London
EC4A 3TW

7 November 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the 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 that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Eagle Eye Solutions Limited

Opinion

We have audited the financial statements of Eagle Eye Solutions Limited (the 'company') for the year ended 30 June 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Eagle Eye Solutions Limited
Financial Statements for the year ended 30 June 2018

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

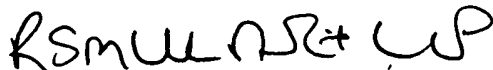
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



GRAHAM BOND FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
M3 3HF

7 November 2018

Eagle Eye Solutions Limited
Financial Statements for the year ended 30 June 2018

Statement of total comprehensive income
for the year ended 30 June 2018

	Note	2018 £000	2017 £000
Continuing operations			
Revenue	3	10,811	8,505
Cost of sales		(1,891)	(1,261)
Gross profit		8,920	7,244
Administrative expenses		(14,324)	(11,601)
Other income		1,354	1,346
Loss on ordinary activities before taxation	4	(4,050)	(3,011)
Taxation	6	890	392
Loss and total comprehensive loss attributable to the owners of the Company for the financial year		(3,160)	(2,619)

Eagle Eye Solutions Limited
Financial Statements for the year ended 30 June 2018

Statement of financial position
as at 30 June 2018

	Note	2018 £000	2017 £000
Non-current assets			
Intangible assets	7	2,842	2,171
Property, plant and equipment	8	219	236
Investments	9	-	-
		3,061	2,407
Current assets			
Trade and other receivables	10	3,952	3,304
Current tax receivable		302	-
Cash and cash equivalents		1,207	333
		5,461	3,637
Total assets		8,522	6,044
Current liabilities			
Trade and other payables	11	(15,453)	(10,845)
Non-current liabilities			
Deferred tax liability	12	-	(174)
Total liabilities		(15,453)	(11,019)
Net liabilities		(6,931)	(4,975)
Equity attributable to owners of the parent			
Share capital	13	1	1
Share premium	13	3,303	3,303
Other reserve		2,298	1,171
Retained losses		(12,533)	(9,450)
Total equity		(6,931)	(4,975)

These financial statements were approved by the Board on 7 November 2018 and signed on its behalf by:


L Sharman-Munday
Director

Eagle Eye Solutions Limited
Financial Statements for the year ended 30 June 2018

Statement of changes in equity
for the year ended 30 June 2018

	Share capital £000	Share premium £000	Other reserve £000	Retained losses £000	Total £000
Balance at 1 July 2016	1	3,303	1,141	(7,189)	(2,744)
Loss for the financial year	-	-	-	(2,619)	(2,619)
Transactions with owners recognised in equity					
Fair value of share options exercised in the year	-	-	(319)	319	-
Fair value of share options lapsed in the year	-	-	(39)	39	-
Share based payment charge	-	-	388	-	388
	-	-	30	358	388
Balance at 30 June 2017	1	3,303	1,171	(9,450)	(4,975)
Loss for the financial year	-	-	-	(3,160)	(3,160)
Transactions with owners recognised in equity					
Fair value of share options exercised in the year	-	-	(77)	77	-
Share based payment charge	-	-	1,204	-	1,204
	-	-	1,127	77	1,204
Balance at 30 June 2018	1	3,303	2,298	(12,533)	(6,931)

Notes to the financial statements

1 Accounting policies

Basis of preparation

The Company has taken advantage of the exemption contained in section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as the Company is a wholly owned subsidiary of Eagle Eye Solutions Group plc for which consolidated financial statements are prepared. Consequently the financial statements present information about the undertaking as an individual entity and not about its group.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. These financial statements conform to FRS 102.

The preparation of financial statements requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 2.

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 26 'Share-based Payment' – Sections 26.18 and 26.23
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

The presentational and functional currency of the Company is Sterling. Results in these financial statements have been prepared to the nearest £1,000.

Going concern

These financial statements have been prepared on a going concern basis. Although the Company has net current liabilities of £10.0 million (2017: £7.2 million), the Company's ultimate parent undertaking, Eagle Eye Solutions Group plc, has indicated via a letter of support that it will continue to provide further financial support as necessary and will not call for repayment of amounts owed to it by the Company for at least 12 months from the date of approval of these financial statements. On this basis, the directors feel it is appropriate to continue to prepare the financial statements on a going concern basis.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of the Company's services, excluding VAT, and is recognised at the point that the services have been delivered. Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits can flow to the Company and when specific criteria have been met for each of the activities as described below:

Development and set up fees are recognised on a percentage of completion basis using estimates. A development project can take a number of months and where such a project spans a period end, the Company recognises accrued income on the Statement of Financial Position to reflect the service provided on a stage of completion basis.

Subscription fees are recognised on a monthly basis and are invoiced on a monthly, quarterly, bi-annual or annual basis. Where invoices are raised in advance, a portion is recognised in deferred income in the Statement of Financial Position.

Accounting policies (continued)

Transactional fees are recognised based on transactional volumes as the transactions occur.

Other income

Other income comprises royalty fees received from other group undertakings for use of the Company's proprietary technology, which are recognised based on the group undertakings' relevant sales, and recharges for services provided at an arm's length price, which are recognised as the services are performed.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Property, plant and equipment

Purchased property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment losses.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, of 2 to 5 years on a straight-line basis.

Intangible assets

Internally-generated development intangible assets

An internally-generated development intangible asset arising from the Company's product development is recognised if, and only if, the Company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- its ability to measure reliably the expenditure attributable to the intangible asset during its development

Internally-generated development intangible assets are amortised as an administrative cost on a straight-line basis over their useful lives of 3 years.

Where no internally-generated intangible asset can be recognised, research and development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and intangible assets

The Company reviews the carrying amounts of its assets annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In the case of a cash-generating unit, any impairment loss is charged pro rata to the assets in the cash-generating unit.

Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contracted rights to the cash flows from the financial asset expire or when the contracted rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets

(a) Trade and other receivables

Trade and other receivables are recognised at their fair value. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of total comprehensive income when there is objective evidence that the assets are impaired.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held on call with banks.

Financial liabilities and equity

(c) Trade and other payables

Trade payables are recognised at their fair value.

(d) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the expected period of the lease.

Employee benefits

The Company operates a defined contribution auto-enrolment pension scheme for employees of the Company. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension costs charged in the income statement are the contributions payable to the scheme in respect of the accounting period.

Current and deferred income tax

Current tax

The tax currently payable is based on taxable loss for the year. Taxable loss differs from the loss for the financial year as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

The Company's parent issues equity-settled share-based payments to certain employees as consideration for services. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense over the vesting period on a straight-line basis, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation is adjusted, based on the Directors' best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the options at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Equity

Equity comprises the following:

- Share capital, representing the nominal value of shares of the Company;
- Share premium, representing the excess over the nominal value of the fair value of consideration received for shares, net of expenses of the share issue;
- Other reserve, representing capital contributions to the Company;
- Retained losses.

2 Critical accounting estimates and judgements

The preparation of these financial statements requires the Directors to make judgements and estimates that affect the reported amounts of assets and liabilities at each reporting date and the reported amounts of revenue during the reporting periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of assets or liabilities within the next accounting period are outlined below:

Capitalisation of internally-generated intangible assets

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

Impairment of internally-generated intangible assets

An impairment review of the Company's development costs is undertaken at least annually. This review involves the use of judgement to consider the future projected income streams that will result from the aforementioned costs. The expected future cash flows are modelled and discounted over the expected life of the assets in order to test for impairment. In the years represented in these financial statements no impairment charge was recognised as a result of these reviews.

Revenue recognition

Where the Company is providing material development services, development fees are recognised in line with percentage completion of work performed towards milestones. Percentage completion is determined based on completion of individual deliverables within the entire project or relevant milestone as appropriate on the basis of planned work associated with that deliverable. Milestones and the Directors' estimate of percentage completion may differ, which could impact operating results positively or negatively. At 30 June 2018, unbilled but contracted revenue of £248,000 (2017: £148,000) has been recognised for development fees, recognised on a percentage completion basis.

In certain circumstances the Company undertakes activities where it identifies and contracts with certain of its redemption partners on behalf of an issuance partner to allow them to run campaigns across the Company's network of redemption partners. In these circumstances the Company will receive transactional issuance and redemption fees as normal but will also be responsible for reimbursing the cost of the issuance partner's offer to the redemption partners (the "Offer Price"). Each relationship with each individual redemption partner is reviewed and the Directors must use their judgement to assess whether the Company is acting as agent or principal in that particular relationship. During the year ended 30 June 2018, the total Offer Price to redemption partners was £549,000 (2017: £nil).

Share-based payment charge

The Company's parent issues share options to certain employees. The Black Scholes model is used to calculate the appropriate charge for these options. The choice and use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

The total charge recognised in the year to 30 June 2018 is £1,204,000 (2017: £388,000).

Critical accounting estimates and judgements (continued)

Deferred tax asset recognition

The Directors' judgement is required to determine the amount of tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the unrecognised tax losses at 30 June 2018 was £20.7 million (2017: £20.5 million). Although the tax losses brought forward are not expected to expire, given the Company's history of recent losses and continued investment for growth, recovery of any element of this asset is expected to be at least two years from the date of these financial statements and therefore in the judgement of the Directors the tax losses carried forward do not meet the 'probable' definition criteria for an asset within UK GAAP. The value of the deferred tax asset not recognised at 30 June 2018 was £3.9 million (2017: £3.9 million) Further information on the Company's deferred tax position can be found in Note 12.

3 Segmental analysis

The Company is organised into one principal operating division for management purposes. Therefore the Company has only one operating segment and segmental information is not required to be disclosed. Revenue is analysed as follows:

	2018	2017
	£000	£000
Development and set up fees	1,592	1,872
Subscription and transaction fees	9,219	6,633
	10,811	8,505

	2018	2017
	£000	£000
AIR revenue	9,120	6,873
Messaging revenue	1,691	1,632
	10,811	8,505

Continuing revenues can be attributed to the following geographical locations, based on the customers' location, as follows:

	2018	2017
	£000	£000
External		
United Kingdom	9,777	8,249
Rest of Europe	1,008	149
Asia	26	103
North America	-	4
	10,811	8,505

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

4 Operating loss

Operating loss is stated after charging to administrative costs:

	2018	2017
	£000	£000
Depreciation of owned tangible assets	126	102
Amortisation of intangible assets	1,281	1,522
Employee costs (see note 5)	8,700	6,676
Operating lease rentals	190	196
Auditor's remuneration		
Audit of the Company	20	19
Non-audit services ⁽¹⁾	6	6
Research and development	502	542

⁽¹⁾ Other non-audit services includes tax services of £6,000 (2017: £6,000).

5 Particulars of staff

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

	2018	2017
	No	No
Product development	48	43
Operations	35	23
Sales and administration	35	28
	118	94

The aggregate payroll costs of these persons were:

	2018	2017
	£000	£000
Wages and salaries	8,052	6,667
Social security costs	1,000	806
Pension costs- defined contribution plan	184	146
	9,236	7,619
Less: amounts capitalised as intellectual property	(1,740)	(1,331)
	7,496	6,288
Share based payment charge	1,204	388
	8,700	6,676

Directors' remuneration

Remuneration of directors during the year was as follows:

	2018	2017
	£000	£000
Aggregate emoluments including short-term employee benefits	902	1,069
Pension costs- defined contribution plan	10	13
	912	1,082

Particulars of staff (continued)

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

	2018	2017
	£000	£000
Aggregate emoluments including short-term employee benefits	426	369

Retirement benefits are accruing to two (2017: two) directors.

6 Taxation

	2018	2017
	£000	£000
Current tax		
UK Corporation tax at 19.00% (2017: 19.75%)	(301)	-
Adjustments in respect of prior years	(415)	(346)
	(716)	(346)
Deferred tax		
In respect of current year	(925)	(589)
In respect of prior years	751	543
	(174)	(46)
Tax on loss on ordinary activities	(890)	(392)
Tax reconciliation		
Loss before tax	(4,050)	(3,011)
Tax using UK corporation tax rate of 19.00% (2017: 19.75%)	(770)	(595)
Non-deductible expenses	5	4
Share-based payments	229	85
Temporary timing differences	(41)	(73)
Unrelieved tax losses	403	543
Effect of changes in tax rates	-	(10)
Research and development tax credit claim ⁽¹⁾	(716)	(346)
Tax on loss on ordinary activities	(890)	(392)

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

7 Intangible assets

	Total £000
Cost	
At 1 July 2016	5,391
Additions	1,539
At 30 June 2017	6,930
Additions	1,952
At 30 June 2018	8,882
Amortisation	
At 1 July 2016	3,237
Charge for the year	1,522
At 30 June 2017	4,759
Charge for the year	1,281
At 30 June 2018	6,040
Net book value	
At 30 June 2018	2,842
At 30 June 2017	2,171
At 1 July 2016	2,154

The Company's intellectual property relates to its internally developed AIR platform and the acquired intellectual property of Eagle Eye Solutions (North) Limited which consisted of a then stand-alone messaging platform and an app and customer interface loyalty solution, both of which have now been integrated within the AIR platform.

Eagle Eye Solutions Limited
Financial Statements for the year ended 30 June 2018

8 Property, plant and equipment

	£000
Cost	
At 1 July 2016	415
Additions	95
At 30 June 2017	510
Additions	109
Disposals	(24)
At 30 June 2018	595
Depreciation	
At 1 July 2016	172
Charge for the year	102
At 30 June 2017	274
Charge for the year	126
Disposals	(24)
At 30 June 2018	376
Net book value	
At 30 June 2018	219
At 30 June 2017	236
At 1 July 2016	243

9 Investments

				£000
At 30 June 2018, 2017 and 2016				-
Name	Country of incorporation	Class of holding	Proportion held	Nature of business
Eagle Eye Solutions (Asia Pacific) Pty Ltd	Australia	Ordinary	51%	Digital loyalty services

The registered office address of this entity is Suite 401, 54 Miller Street, Sydney, NSW, 2060, Australia. Eagle Eye Solutions (Asia Pacific) Pty Limited was disposed of for consideration of A\$1 on 27 August 2018.

Eagle Eye Solutions Limited
Financial Statements for the year ended 30 June 2018

10 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	1,612	1,929
Less: Provision for impairment of trade receivables	(22)	(18)
	1,590	1,911
Prepayments and accrued income	1,406	746
Amounts due from group undertakings	883	622
Other receivables	73	25
	3,952	3,304

The ageing of trade receivables that were not impaired was:

	2018 £000	2017 £000
Not past due	1,122	1,259
Up to 3 months past due	450	644
More than 3 months past due	15	4
	1,587	1,907

Accrued income and other receivables are not past due (2017: not past due).

The Company trades only with recognised, credit-worthy third parties. Receivable balances are monitored on an ongoing basis with the aim of minimising the Company's exposure to bad debts. The Company has reviewed in detail all items comprising the above not past due and overdue but not impaired trade receivables to ensure that no impairment exists. As at 30 June 2018, trade receivables of £25,000 (2017: £22,000) were impaired and provided for, all of which were more than 3 months old (2017: more than 2 months old). The amount of the provision was £22,000 as at 30 June 2018 (2017: £18,000). Movements on the provision for impairment of trade receivables are as follows:

	2018 £000	2017 £000
At 1 July	18	26
Provision for impairment of receivables charged/(released)	5	(4)
Receivables written off during the year	(1)	(4)
At 30 June	22	18

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable disclosed above.

All trade and other receivables are denominated in Sterling.

11 Trade and other payables

	2018 £000	2017 £000
Current		
Trade payables	997	535
Other payables	642	359
Accruals and deferred income	1,866	1,858
Amounts owed to group undertakings	11,948	8,093
	15,453	10,845

12 Deferred tax liability

The elements of deferred taxation are as follows:

	2018 £000	2017 £000
Accelerated capital allowances and intellectual property	-	174

Movement in deferred tax:

	Accelerated capital allowances and intellectual property £000
At 1 July 2016	220
Credited to income statement	(46)
At 30 June 2017	174
Credited to income statement	(174)
At 30 June 2018	-

No deferred tax asset is recognised for unused tax losses and relief arising on exercise of share options of £20.7 million (2017: £20.5 million) due to uncertainty over the timing of their recovery.

13 Share capital

The authorised share capital of the Company is 852,599 ordinary shares of 0.1p each.

	Number of shares issued and fully paid	Share capital £000	Share premium £000
At 1 July 2016, 30 June 2017 and 30 June 2018	852,599	1	3,303

14 Operating lease commitments

At 30 June 2018, the Company had aggregate minimum lease payments under non-cancellable operating leases for office and other sites as follows:

	2018	2017
	£000	£000
Due within 1 year	216	223
Due within 2-5 years	383	344
Due in more than 5 years	23	-
	622	567

The Company's Guildford office lease agreement can be cancelled after 5 years of its initial 10 year term, which commenced in July 2015. The lease for the Company's Manchester office can be cancelled at the end of its initial 10 year term, which commenced in December 2013.

15 Related party transactions

During the year the Company acquired sub-contractor technical development services to the value of £97,000 (2017: £119,000) from Eagle Eye Technology Limited, a company in which Stephen Rothwell, a director of the Company, holds an interest. At 30 June 2018, £48,000 (2017: £14,000) was outstanding in respect of these services.

During the year the Company provided services to the value of £500 (2017: £15,000) to Purple Wifi Limited, a subsidiary of So Purple Group Limited, a company in which Tim Mason, a director of the Company, holds an interest. At 30 June 2018, £nil (2017: £nil) was outstanding in respect of these services.

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

16 Ultimate controlling party

The immediate and ultimate parent company is Eagle Eye Solutions Group plc, a company incorporated in England and Wales. Copies of the group financial statements, which contain information on the ultimate controlling party of the Company, can be obtained from Companies House.