

1SPATIAL GROUP LIMITED

**REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JANUARY 2015**

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1SPATIAL GROUP LIMITED

COMPANY INFORMATION

Directors

M N Hanke
C Milverton
Dr M S Sanderson
D J Guthrie

Secretary

Capita Company Secretarial Services Limited

Company number

04785688

Registered office

Tennyson House
Cambridge Business Park
Cowley Road
Cambridgeshire
CB4 0WZ

Independent auditors

PricewaterhouseCoopers LLP
One Reading Central, 4th Floor
23 Forbury Road
Reading
Berkshire
RG1 3JH

1SPATIAL GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2015

The directors present the strategic report and audited financial statements for the year ended 31 January 2015.

Objectives

Our prime objective is to generate value for our shareholders. 1Spatial Group Limited is a UK subsidiary of 1Spatial plc which is an AIM-listed Company. 1Spatial Group Limited is the parent undertaking of Aon Spásúil Limited (Ireland) and 1Spatial Australia Pty Limited.

1Spatial Group Limited has a heritage through which it has evolved substantial capabilities that are unique in the marketplace. The Board sees that the greatest opportunity to deliver value comes through leveraging the Company's intellectual property, its expertise, reputation and experience in a market that demands increasingly sophisticated management of geospatial data.

1Spatial Group Limited provides the software solutions and services that manage the world's largest spatial Big Data. We work with users and creators of the largest geospatial databases on earth, helping them collect, store, manage and interpret location-specific information.

A leader in our field, we have over 40 years' experience and a record of continual innovation and development. The Company enjoys deep, long-standing relationships with major customers around the world and, as a consequence, we enjoy an unparalleled reputation in the field.

Strategy and business model

The 1Spatial Group Limited management team is working to realise the true value of its heritage and intellectual property (IP).

Historically, the Company's expertise has been delivered for relatively few, very large, clients – the custodians of the largest (and most critical) geospatial databases on earth. This has been achieved through bespoke projects leveraging resource-constrained professional services built on a fragmented code-base of software.

In the last couple of years however, we have been following a new strategy and business model designed to better capitalise upon our IP assets. We began this journey in the year ended January 2013 and, two years later, we can see that the decision was sound. Effectively, we have inverted our historic business model from one grounded in ad hoc, bespoke and constrained consulting services drawing on a fragmented code-base to one where a robust and repeatable software model enables added-value professional services. We continue to refine and evolve the strategy, but this basic approach remains at the core.

We now have a business model that is repeatable and affordably scalable. Core functionality and reusable IP can be re-sold as packaged product and our valuable, highly skilled people can be better deployed at the cutting edge; delivering innovation for our customers.

Valuable, reusable IP developed on bespoke projects can be captured and fed into the development cycle for future iterations of our packaged software.

Demand for, and the use of, geospatial data continues to grow across the globe. The decreasing cost and increasing prevalence of sensor hardware (from the much-heralded "Internet of Things" to the global use of smartphones) produces a wealth of location-specific data that organisations need to handle. 1Spatial has the tools and expertise to manage that data.

Forecasts for the growth in demand for spatial Big Data solutions abound. A recent report by Research and Markets estimated that the global market for GIS systems in the utilities sector alone will grow by a CAGR of 9.27 per cent between 2013 and 2018. The market for smart cities technology (reliant on geospatial data and a focus area for 1Spatial) is forecast to grow by 22.5 per cent CAGR between 2014 and 2019, to a total value of \$1.1 trillion. Analysts IDC forecast that the total market for Big Data Technology and Services will grow by 26.4 per cent CAGR to be worth \$41.5 billion in 2018.

1Spatial's strategy is to help more clients do more with their geospatial Big Data; effectively helping them to make their world smarter.

During the year, we identified two specific areas where we will refine our strategy to capitalise on opportunity and ensure continued growth.

1SPATIAL GROUP LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

Strategy and business model (Continued)

Professional services

As geospatial Big Data requirements become more complex, we see much increased demand for our professional services. Sometimes existing customers are entering ever more complex areas and sometimes new customers are taking their first steps into working with geospatial data and have limited skills available in-house. In either case, there is opportunity and demand for the industry-recognised expertise of professional services teams in consulting, training and support. As we move into 2015, we will increase our investment in this area, hiring more customer-facing staff to meet the market demand.

Openness

A second aspect of the evolution of geospatial Big Data is that our technology is increasingly deployed within multi-vendor systems and required to work with other platforms. 1Spatial already enjoys strong partnerships with other leading players in the geospatial marketplace, as indicated by various partnership awards received during the year. Moving forward, "openness" – the ability to work and interoperate seamlessly with partner and competitor systems – will be a key demand. We have already announced an important partnership with Esri, one of the leading players in GIS systems, and our development team has worked hard to release a new solution at the Esri UK event in May 2015. Further work will continue to ensure that 1Spatial software is recognised not only as leading in its own right, but easily integrated within other solutions, opening greater opportunities for growth in the future.

1SMS (the 1Spatial Management Suite), is our core software solution and it continues to gain traction in the market. The products gained as part of the Star-Apic acquisition have now been integrated into, or consolidated within, our product range and we continue to develop industry-specific applications that will work alongside 1SMS.

We are confident that our strategy affords the best opportunity to realise the greatest value from 1Spatial's IP assets; and 1Spatial plc was recognised by the London Stock Exchange, for the second year running, as one of "1,000 Companies to Inspire Britain", research that seeks out the "UK's most exciting and dynamic small and medium-sized enterprises".

Markets

We see enormous opportunity to grow our core, geospatial business along three dimensions:

- Geographic markets;
- Industry markets;
- New scenarios.

Operational review

Trading during the financial year in 1Spatial improved from a turnover perspective with an increase of 27% to £8,910,169 compared to the prior year figure of £7,010,832. During the year, the Company won a number of significant contracts each worth in excess of £0.5m. These included a contract with the UK Ministry of Defence (working with intelligence group No.1 AIDU, the Aeronautical Information and Documentation Unit), a project with one of our existing National Mapping Agency customers worth £0.9m, and a contract with a major utility company worth £0.6m. There have also been a large number of smaller contract wins, each worth less than £0.1m. These contract wins exclude our support and maintenance renewals, which are currently running at a 95 per cent renewal rate.

The Directors review the underlying performance of the business using a performance measure which is Adjusted* Earnings before interest, taxes, depreciation and amortisation ("Adjusted* EBITDA") of £2,277,482. This is a significant improvement on the prior year figure of £948,402. This is the result of strong commercial discipline within the business and managing the cost base.

The overall profit for the year was £735,834 (2014: profit of £87,788). The Directors have not recommended the payment of a dividend (2014: £nil). The key reconciling items between the Adjusted* EBITDA and the overall results for the year are explained in more detail below.

1SPATIAL GROUP LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

Operational review (continued)

(*Adjusted for management recharges, other one-off items and share-based payment charge).

Management recharges of £1,185,410 (2013: £365,280) relate to recharges made by 1Spatial plc in the year for management services provided to the Company.

One-off costs in 2015 relate predominantly to strategic costs and training costs associated with the new ERP system. In 2014, one-off costs were a mix of strategic and redundancy costs.

The share-based payment charge relates to the non-cash cost of issuing share options to 1Spatial Group Limited employees during the year.

Tax in the year was a charge of £39,153 compared to a £50,000 credit in 2014.

1Spatial Group is a part of the wider 1Spatial Geospatial Business which includes Aon Spásúil Limited, 1Spatial Australia Pty Limited, 1Spatial Belgium SA and 1Spatial France SAS. The results of this wider group are included in the results of 1Spatial plc and it can be noted from the segmental reporting note in the consolidated financial statements that the turnover for the 12 months to January 2015 was £17,934,000 (2014: £15,378,000) and Adjusted* EBITDA was £5,106,000 (2014: £2,976,000). This group of companies is classified as Geospatial in the segmental reporting.

The balance sheet of 1Spatial Group Limited is a net asset position of £1,862,001 (2014: £1,039,682) including a cash balance of £2,513,998 (2014: £1,545,541). The overall 1Spatial plc business (which also includes Avisen UK Limited and Storage Fusion Limited) has a strong balance sheet with an asset position of £21,008,000 (2014: £22,118,000) including a cash balance of £8,250,000 (2014: £11,165,000). These numbers are extracted from the 1Spatial plc consolidated financial statements to 31 January 2015.

A more detailed review of the overall 1Spatial plc business can be found in the Chairman's statement and Strategic report accompanying the 1Spatial plc annual report to 31 January 2015.

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategies are subject to a number of risks. In the opinion of the Board, the key business risks affecting the Company are as follows:

Customer budget cutbacks/economic conditions

Risk: Due to the recent recession and the continuing slow growth cycle in Western economies, companies and, in particular, government agencies are under more pressure to cut costs. They may require a robust business case before investing in IT products and services which can have the effect of lengthening deal sales cycles and reducing deal size.

Mitigation: Whilst this is a risk, it is also an opportunity for 1Spatial. Our automated technology enables customers to achieve greater internal efficiencies and therefore should reduce customers' costs in the long run. The Group is also mitigating this risk by diversifying the industry sectors in which it works.

Identification and integration of synergistic acquisitions

Risk: There is a risk that the Company may not identify suitable acquisitions for merging with the existing business. There is also a risk that acquisitions identified may not be successful, either because the acquisition itself was not as expected or because of poor integration.

Mitigation: The Board believes that this risk is medium. The Group has a pipeline of opportunities compiled through constantly researching the market and through networking by the Board with its advisers and other industry contacts. In respect of the acquisition itself, the Board undertakes appropriate due diligence in advance. With respect to the successful integration and operation of the acquired businesses, this risk is mitigated by a very structured approach to the integration process, dedicated teams and careful monitoring of performance post acquisition.

1SPATIAL GROUP LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

Principal Risks and Uncertainties (Continued)

Key management and employees may leave the business

Risk: There is a risk that key management and employees leave the business, having a detrimental effect on the operations of the business.

Mitigation: In order to mitigate this risk, the Group aims to create a rewarding working environment that will attract staff by offering competitive salaries and benefits, structured career paths, tailored training and by encouraging a culture of free thinking and innovation. During the year, share options were issued to Executive Directors and key members of the management team. The decision to issue share options has been taken as part of the Company's strategy to attract, motivate and retain talent within the business and further mitigate this risk.

Reliance on key customers

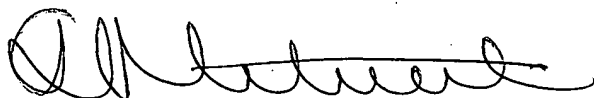
Risk: The Group has some reliance on certain key customers; however, this risk is decreasing as more acquisitions and partnerships are entered into.

Mitigation: The management team maintains good relationships with its customers through continued communication throughout the year. The Company's strategy of acquisition and diversifying into different industry and geographic markets will reduce the Company's over-reliance on a small set of customers.

A major technology failure may adversely disrupt operations

Risk: There could be a major technology failure which adversely affects operations.

Mitigation: 1Spatial plc prepares recovery plans for all foreseeable situations so that business operations can continue should a major failure occur. In terms of IT, all files are backed up off site and all staff have access to laptops to continue working should such an incident occur. The Group is close to completing the move of most IT infrastructure to third-party providers. This will reduce the risk and cost of managing the infrastructure and of reliance on key individuals in the team. In addition, the Group has insurance to cover periods adversely affected by such failures.



C Milverton
Director

Approved by the Directors

Date 22/10/2015

1SPATIAL GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

The directors present their report and audited financial statements for the year ended 31 January 2015.

Principal activities

1Spatial Group Limited is a software development company which provides location-based software and related services. The majority of the business comprises the sale of its own 1Spatial software products and related services. It is also a reseller of other location-based software products. For more than 40 years, the 1Spatial Business has been delivering solutions and services to public and private sector organisations who handle petabyte volumes of location-based business critical data.

Business review

The 1Spatial Business has a strong customer base in some of the world's largest National Mapping Agencies ("NMAs") and these relationships have been built over many years throughout the history of the Company. The 1Spatial Business product manages data for many of the NMAs and this puts 1Spatial Business as a strategic partner and provider of technology in this market. The business will put a continued focus on product development and the innovation of its intellectual property and offerings, providing both on-premise and Cloud solutions through its 1Spatial Cloud platform.

1Spatial Group is the parent undertaking of the principal trading subsidiaries of Aon Spásúil Limited and 1Spatial Australia Pty Limited.

The results of 1Spatial Group Limited are included in the 31 January 2015 results of 1Spatial plc.

Results

The Company's profit for the financial year was £735,834 (2014: £87,788).

Financial risks

Credit risk

The Group trades only with recognised, creditworthy third parties and independent credit checks and credit limits are managed by the trading entities. Credit limits can only be exceeded if authorised by the 1Spatial plc Board. Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Company.

Liquidity risk

The Company's objective is to maintain sufficient funds to support the ongoing strategic and trading activities of the Company. Detailed forecasting is carried out at local level in the operating companies and this is combined into a group cash flow forecast. The Group forecasts are compared to available facilities to ensure that sufficient headroom is anticipated.

Cash flow and interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Should substantial facilities be put in place in the future then the Board will consider the impact of such facilities and whether it will be appropriate to hedge the interest rate risk.

1SPATIAL GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

M N Hanke
C Milverton
Dr M S Sanderson
S J Guthrie
S R Berry

(Resigned 2 February 2015)

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The parent company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of the Company and its Directors.

Independent auditors

PricewaterhouseCoopers LLP have been re-appointed as auditor for the ensuing year in accordance with Section 485 of the Companies Act 2006.

Statement of disclosure to auditors

We, the Directors of the Company, who held office at the date of the approval of these financial statements as set out above, each confirm so far as we are aware, that:

- there is no relevant audit information of which the Company's auditors are unaware; and
- we have taken all the steps that we ought to have taken as Directors in order to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board



C Milverton

Director

22.1.10/2015

1SPATIAL GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 JANUARY 2015

The directors are responsible for preparing the Strategic Report, 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 year. Under that law the directors have prepared 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 these 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;
- 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.

1SPATIAL GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 1SPATIAL GROUP LIMITED

Report on the financial statements

Our opinion

In our opinion, 1Spatial Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 January 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

1Spatial Group Limited's financial statements comprise:

- the balance sheet as at 31 January 2015;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the 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.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

1SPATIAL GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 1SPATIAL GROUP LIMITED

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Financial Statements 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.

Miles Saunders

Miles Saunders (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

23 October 2015

1SPATIAL GROUP LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2015

	Note	2015 £	2014 £
Turnover	2	8,910,169	7,010,832
Cost of sales		(4,302,783)	(3,892,979)
Gross profit		4,607,386	3,117,853
Administrative expenses		(3,825,316)	(3,087,601)
Other operating income		-	15,968
Adjusted * EBITDA		2,277,482	948,402
Depreciation		(95,771)	(94,398)
Adjusted * EBITA		2,181,711	854,004
Management charges		(1,185,410)	(365,280)
One off costs	3	(127,746)	(275,819)
Share based payments		(86,485)	(166,685)
Operating profit		782,070	46,220
Interest receivable and similar income	4	1,129	-
Interest payable and similar charges	5	(8,212)	(8,432)
Profit on ordinary activities before taxation	6	774,987	37,788
Tax on profit on ordinary activities	8	(39,153)	50,000
Profit for the financial year	20	735,834	87,788

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

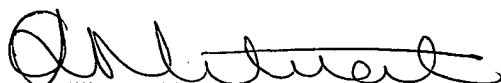
*Adjusted: Before share based payment charges, management charges and one off items.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

1SPATIAL GROUP LIMITED**BALANCE SHEET
AS AT 31 JANUARY 2015**

	Note	2015 £	£	2014 £	£
Fixed assets					
Intangible assets	10		17,605		11,840
Tangible assets	11		137,179		155,105
Investments	12		445,527		445,527
			<u>600,311</u>		<u>612,472</u>
Current assets					
Stocks	13		-		14,570
Debtors	14	3,412,724		1,709,934	
Cash at bank and in hand		2,513,998		1,545,541	
			<u>5,926,722</u>		<u>3,270,045</u>
Creditors: amounts falling due within one year	15	(4,665,032)		(2,842,835)	
Net current assets			<u>1,261,690</u>		<u>427,210</u>
Total assets less current liabilities			<u>1,862,001</u>		<u>1,039,682</u>
Net assets			<u>1,862,001</u>		<u>1,039,682</u>
Capital and reserves					
Called up share capital	19		11,666		11,666
Share premium account	20		30,243		30,243
Other reserves	20		257,175		170,690
Profit and loss account	20		1,562,917		827,083
Total shareholders' funds	21		<u>1,862,001</u>		<u>1,039,682</u>

The financial statements on pages 10 to 24 were approved by the board of directors and authorised for issue on 22.1.2015 and are signed on its behalf by:



C Milverton
Director

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2015

1 Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, have been set out below.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA. Under the provision of Section 400 of the Companies Act 2006 the company is exempt from preparing consolidated financial statements and has not done so, therefore the financial statements show information about the company as an individual entity. These financial statements therefore represent only the parent company's results and financial position.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

Turnover recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Turnover is recognised when the risks and rewards of ownership have passed to the customer and is shown net of Value Added Tax, rebates and discounts. Where a sale includes multiple elements, where the fair value of each element can be reliably valued, the elements are separated. Where this is not possible the turnover is spread over the period relating to the element with the longest recognition period.

The fair value of the turnover for each element of the arrangement is then accounted for in accordance with the policies described below.

Software Licence Turnover

Turnover is recognised when the software is delivered and accepted by the customer. Software turnover is recognised depending on licensing terms:

- For a licence in perpetuity, where there are no further obligations and there is determination that collection of fee is reasonably assured, the turnover is recognised at the time the licence is delivered and
- For a licence that has a fixed term, where there are further obligations the turnover is recognised over the term of the licence.

Support and Maintenance

Where the support and maintenance is sold for a fixed term and there is a continuing performance obligation, then the turnover is deferred and recognised over the term of the agreement on a straight line basis.

Where fees for support and maintenance are bundled with the license fee, they are unbundled using the Company's objective evidence of the fair value of the elements represented by the Company's customary pricing for each element in separate transactions.

Professional Services

Turnover is recognised as the work is carried out and the Company has the contractual right to receive the consideration.

Software Development Services

Turnover is recognised upon stage of completion of the software project. The percentage of completion of the project is arrived at by a considered objective review as to the work that has been carried out, against that which is yet to be completed, to allow the project to be delivered to the customer. These reviews are carried out throughout the project.

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

1 Accounting policies (Continued)

Tangible assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment & software	3 years
Fixtures, fittings and equipment	5 years

The directors annually review the residual value and estimated useful lives of the plant and equipment. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

Leasing

Rentals applicable to operating leases where substantially all the benefits and risks of the ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease. Assets held under leases that result in the company receiving substantially all the risks and rewards of ownership are classified as finance leases and capitalised as property, plant and equipment at the lower of cost and the estimated present value of the underlying lease payments. The interest element of the rental obligation is allocated to the accounting periods to reflect a constant rate of interest on the outstanding obligation. The corresponding finance lease obligation is included within payables. These assets are depreciated over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Investments

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition costs associated with the investment.

Stocks and work in progress

Work in progress is the value of the unbilled development time deemed to be recoverable and is stated at the lower of cost, less any ageing provision, and net realisable value.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

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, with the following exceptions:

- 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 an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

1 Accounting policies (Continued)

Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

One off costs

The directors consider that certain one off costs should be highlighted in order to understand the underlying trading performance of the business. These items are detailed in note 3 to the financial statements.

Share-based payment transactions

The group issues equity instruments (options) to certain employees. Equity instruments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity instruments is expensed on a straight line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The grant of such options over its equity instruments in the ultimate parent company to the employees of the company is treated as a capital contribution.

Fair value is measured by the use of the Binomial lattice option pricing model.

Research and development

Research and development is written off in the year in which it is incurred.

2 Turnover

Geographical market

	Turnover	
	2015 £	2014 £
United Kingdom	6,191,390	5,780,694
Europe	1,174,553	653,733
Rest of World	1,544,226	576,405
	<u>8,910,169</u>	<u>7,010,832</u>

The turnover information above is based on the location of the customer.

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

2 Turnover (Continued)

Class of business

	Turnover	
	2015 £	2014 £
Licences	1,894,408	1,354,461
Services	4,097,940	3,363,768
Support and maintenance	2,917,821	2,292,603
	<u>8,910,169</u>	<u>7,010,832</u>

3 One-off costs

	2015 £	2014 £
Strategic costs (a)	59,719	121,314
Redundancy costs	-	154,505
Training costs associated with new ERP system (b)	41,479	-
Other (c)	26,548	-
	<u>127,746</u>	<u>275,819</u>

(a) A high proportion of the strategic costs relates to due diligence on potential acquisitions.

(b) To support our growth strategy, we have implemented a new ERP system. This went live in August 2013 in the UK, Ireland and Australia. Further implementation work on this is due to continue during 2015 as the finance modules are brought on-line.

(c) Other costs relate mainly to work carried out on Company's intellectual property portfolio.

4 Interest receivable and similar income

	2015 £	2014 £
Bank interest	<u>1,129</u>	<u>-</u>

5 Interest payable and similar charges

	2015 £	2014 £
Bank charges	<u>8,212</u>	<u>8,432</u>

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

6	Profit on ordinary activities before taxation	2015	2014
		£	£
	Profit on ordinary activities before taxation is stated after charging:		
	Depreciation of tangible fixed assets		
	- owned	95,771	94,398
	Operating lease rentals		
	- Plant and machinery	19,727	27,451
	- Other assets	218,096	229,135
	- Motor vehicles	16,548	9,151
	Auditors' remuneration for statutory audit	26,600	40,250
7	Employees		
	Number of employees		
	The average monthly number of employees (including directors) during the year was:		
		2015	2014
		Number	Number
	Management	2	2
	Administration	11	9
	Sales	8	6
	Product/marketing	6	3
	Consultancy and support	14	12
	Development	25	26
		66	58
	Employment costs	2015	2014
		£	£
	Wages and salaries	3,143,617	2,169,202
	Social security costs	325,931	282,215
	Other pension costs	163,894	166,458
		3,633,442	2,617,875
8	Tax on profit on ordinary activities	2015	2014
		£	£
	Current tax		
	Corporation tax	22,095	-
	Total current tax	22,095	-
	Deferred tax		
	Origination and reversal of timing differences (note 16)	17,058	(50,000)
	Total tax on profit on ordinary activities	39,153	(50,000)

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

8 Tax on profit on ordinary activities (Continued)

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2014: lower) than the effective rate of corporation tax in the UK of 21.33% (2014: 23.17%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before taxation	774,987	37,788
Profit on ordinary activities before taxation multiplied by effective rate of UK corporation tax of 21.33% (2014: 23.17%)	165,305	8,752
Effects of:		
Expenses not deductible for tax purposes	20,732	15,203
Depreciation in excess/(deficit) of capital allowances	4,844	(10,627)
Utilisation of tax losses	(14,719)	(58,031)
Group relief	(135,868)	-
Other tax adjustments	(18,199)	44,703
	(143,210)	(8,752)
Current tax charge for the year	22,095	-

The company has estimated trading losses of £nil (2014: £89,695) to carry forward against future taxable profits. No deferred tax asset was recognised in 2014 on the losses due to uncertainty of future recovery.

During the prior year, Finance Act 2013 was enacted and included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014, and by a further 1%, reaching 20%, with effect from 1 April 2015. As this change was substantively enacted at the balance sheet date and no material amount is expected to unwind prior to 1 April 2015, deferred tax is recognised at 20% in the current year.

9 Directors' remuneration

The remuneration below relates to the single director remunerated by the Company. The remaining directors' remuneration is borne by 1Spatial plc.

	2015 £	2014 £
Remuneration for qualifying services	105,291	102,366
Company contributions to money purchase pension schemes	11,903	13,070
	117,194	115,436

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

10 Intangible fixed assets

	Intellectual property £
Cost	
At 1 February 2014	11,840
Additions	5,765
	<hr/>
At 31 January 2015	17,605
	<hr/>
Net book value	
At 31 January 2015	17,605
	<hr/>
At 31 January 2014	11,840
	<hr/>

Additions to intangible assets comprise cost of a patent produced by the company. The creation of the patent is not at a commercial state yet as a result no amortisation has been charged on this cost.

11 Tangible fixed assets

	Computer equipment & software £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 February 2014	668,165	151,909	820,074
Additions	75,873	1,972	77,845
	<hr/>	<hr/>	<hr/>
At 31 January 2015	744,038	153,881	897,919
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 February 2014	544,487	120,482	664,969
Charge for the year	74,347	21,424	95,771
	<hr/>	<hr/>	<hr/>
At 31 January 2015	618,834	141,906	760,740
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 January 2015	125,204	11,975	137,179
	<hr/>	<hr/>	<hr/>
At 31 January 2014	123,678	31,427	155,105
	<hr/>	<hr/>	<hr/>

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

12 Investments

	Shares in subsidiary undertakings £
Cost	
At 1 February 2014 & at 31 January 2015	1,600,359
Provisions for diminution in value	
At 1 February 2014 & at 31 January 2015	1,154,832
Net book value	
At 31 January 2015	445,527
At 31 January 2014	445,527

The company holds investments in the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertakings				
Socium Limited	England & Wales	Ordinary shares		100.00
1Spatial Australia Pty Limited	Australia	Ordinary shares		100.00
Aon Spasuil Limited	Ireland	Ordinary shares		100.00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2015 £	Profit/(loss) for the year 2015 £
Socium Limited	Principal activity Dormant	(290,666)	-
1Spatial Australia Pty Limited	Location-based software and development & consultancy	(987,002)	(102,585)
Aon Spasuil Limited	Location-based software and development & consultancy	683,688	(134,846)

The directors believe that the carrying value of the investments is supported by their underlying net assets.

13 Stocks	2015 £	2014 £
Work in progress	-	14,570

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

14 Debtors	2015 £	2014 £
Trade debtors	1,341,858	582,591
Amounts owed by group undertakings	1,302,113	712,342
Other debtors	5,860	95,640
Deferred tax asset (see note 16)	32,942	50,000
Prepayments and accrued income	729,951	269,361
	<u>3,412,724</u>	<u>1,709,934</u>

15 Creditors: amounts falling due within one year	2015 £	2014 £
Trade creditors	484,986	208,841
Amounts owed to group undertakings	2,659,863	1,243,112
Corporation tax	22,095	-
Other taxation and social security costs	411,857	367,450
Other creditors	163,763	172,582
Accruals and deferred income	922,468	850,850
	<u>4,665,032</u>	<u>2,842,835</u>

Other creditors include £66,000 (2014: £54,000) in respect of a dilapidation provision. Net charge to profit and loss account during the year was £12,000 (2014: £13,731).

16 Deferred tax asset

The deferred tax asset (included in debtors, note 14) is made up as follows:

	2015 £	2014 £
Balance at 1 February 2014	(50,000)	
Charge to profit and loss account	17,058	
	<u>(32,942)</u>	
Balance at 31 January 2015		
	<u>(32,942)</u>	<u>(50,000)</u>

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

17 Retirement Benefits

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The cost charge represents contributions payable by the company to the fund. At the balance sheet date contributions of £32,673 (2014: £26,334) were outstanding.

	2015 £	2014 £
Contributions payable by the company for the year	163,894	166,458

18 Share-based payment transactions

During the year ended 31 January 2015, the company had one share-based payment arrangement, which is described below.

Type of arrangement	EMI
Date of grant	1 February 2011
Number granted	7,591,093
Contractual life	10 years
Vesting conditions	3 years

The total charge for the year relating to the share based payment plan was £86,485 (2014: £166,685).

The EMI (Enterprise Management Incentives) share option plan and Executive unapproved share option plan was introduced in 2011 in the parent company, 1Spatial plc. Under the schemes the board of directors of 1Spatial plc can grant options over shares of the company to directors and employees of the group companies. Options are typically granted at a fixed price equal to the market price of the shares under option at the date of grant although some options granted around the time of the acquisition were at a discount to the market price. The contractual life of the option is 10 years. Awards under the scheme are reserved for employees who are deemed to be critical to the future success of the company. The vesting period of the options typically is for three years. Exercise of the option is subject to continuing employment. The differences between the two schemes are relatively minor, the main difference is residing in the definition of an eligible employee. Under the EMI scheme an employee must be a full time employee and a UK resident, whereas part time and non-resident employees can become members of the unapproved option scheme. Options under both schemes were valued in 1Spatial plc using the Black-Scholes option pricing model.

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

18 Share-based payment transactions (Continued)

Further details of the share option plans are as follows:

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	2015	2015 £	2014	2014 £
Outstanding brought forward	7,287,449	4.94	-	-
Granted	-	-	7,591,093	4.94
Forfeited	-	-	(303,644)	4.94
Exercised	-	-	-	-
Outstanding carried forward	7,287,449	4.94	7,287,449	4.94
Exercisable at the year end	2,429,150	4.94	2,429,150	4.94

The estimated fair value of each share option granted in the general employee share plan is 3p.

19 Called up share capital	2015 £	2014 £
Allotted, called up and fully paid		
1,166,610 (2014: 1,166,610) ordinary shares of 1p each	11,666	11,666

20 Reserves	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 February 2014	30,243	170,690	827,083
Profit for the financial year	-	-	735,834
Movement during the year	-	86,485	-
Balance at 31 January 2015	30,243	257,175	1,562,917

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

20 Reserves (Continued)

	Capital contribution reserve £	Capital redemption reserve £	Total £
Balance at 1 February 2014	166,685	4,005	170,690
Movement during the year	86,485	-	86,485
Balance at 31 January 2015	253,170	4,005	257,175

21 Reconciliation of movements in shareholders' funds

	2015 £	2014 £
Profit for the financial year	735,834	87,788
Movements on other reserves	86,485	166,685
Net addition to shareholders' funds	822,319	254,473
Opening shareholders' funds	1,039,682	785,209
Closing shareholders' funds	1,862,001	1,039,682

22 Commitments under operating leases

At 31 January 2015 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 January 2016:

	Land and buildings		Other	
	2015	2014	2015	2014
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	10,961	13,525
Between two and five years	237,000	-	16,863	9,151
In over five years	-	237,000	-	-
	237,000	237,000	27,824	22,676

23 Control

The company's immediate parent company is 1Spatial Holdings Limited and the ultimate parent undertaking and controlling party is 1Spatial plc, both companies are incorporated in England and Wales.

1Spatial plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 January 2015. The consolidated financial statements of 1Spatial plc are available from 40 Dukes Place, London, EC3A 7NH.

1SPATIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2015

24 Related party relationships and transactions

The company has taken advantage of provisions of Amended FRS 8 not to disclose related party transactions and balances where the company is wholly owned directly or indirectly by the ultimate controlling entity of the group.

Included within trade debtors is £79,200 (2014: £nil) due from Sitemap Ltd, a company related by common directors and in which 1Spatial plc has a 49% interest. This balance relates to the purchase of maintenance services, and is interest free and repayable on demand.