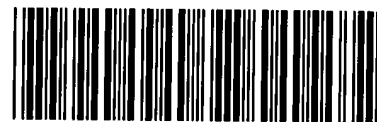


# 365 Agile Group plc

## Annual Report

for the year ended 31 December 2016

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# Company Information

## **Directors**

### **Clive Carver**

(Non-executive Chairman)

### **Anthony Weaver**

(Non-executive Director, appointed 31 March 2016)

### **Colin Hutchinson**

(Non-executive Director, resigned 1 November 2016)

### **Jill Collighan**

(Executive Director, resigned 1 November 2016)

### **Jonathan Holyhead**

(Executive Director, resigned 31 March 2016)

## **Secretary**

Jill Collighan

## **Company number**

4958332

## **Registered office**

100 Fetter Lane

London

EC4A 1BN

## **Nominated Adviser**

finnCap Limited

60 New Broad Street

London

EC2M 1JJ

## **Bankers**

Natwest Bank plc

New Street

Birmingham

B2 4BF

## **Solicitors**

DAC Beachcroft LLP

100 Fetter Lane

London

EC4A 1BN

## **Auditor**

Grant Thornton UK LLP

Statutory Auditor

Chartered Accountants

4 Hardman Square

Spinningfields

Manchester

M3 3EB

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# Chairman's Statement

I am pleased to report the results of 365 Agile Group plc ("365 Agile" or the "Company" and together with its subsidiaries, the "Group") for the year ended 31 December 2016.

## Background

On 21 August 2015, the Company completed the acquisition of 365 Agile Limited, a reverse takeover under the AIM Rules for Companies ("AIM Rules") and changed its name to 365 Agile Group plc. At that time the Company's focus was on the sale of software to provide field based workers access to traditional back office systems on smart phones or tablets. Additionally, through its Wireless Things Ltd subsidiary, the Group intended to exploit opportunities more widely in the Internet of Things ("IoT") sector, and to that end in November 2015, the Company acquired Easytherm Limited, owner of a smart internet based heating and hot water controller which was complementary to 365 Agile's range of solutions.

In April 2016, the Company announced the departure of the Chief Executive Officer and a new licence agreement with Castleton Technology plc ("Castleton") for the provision of 365 Agile's software solutions to the social housing sector on an exclusive basis (the "Licence Agreement"). The Licence Agreement guarantees 365 Agile minimum payments totalling at least £1.8 million over a three year period with the potential for a further payment of at least £0.3 million in the year to 31 March 2019 depending on total sales achieved by Castleton for the first three years of the Licence Agreement. In addition, certain staff transferred from 365 Agile to Castleton.

On 22 August 2016, the Company announced that, following a reassessment of its strategy to develop a meaningful business in the IoT space, the Board did not believe the continued investment of the income from the Licence Agreement into the Group's Nottingham based operations, trading under the Wireless Things name, would result in Wireless Things becoming core to the Group's future plans. This was formally confirmed on 26 August 2016 and accordingly this business has been closed and all staff were made redundant. In addition, the Board took the strategic decision that it would not invest further in the technology acquired from Easytherm Limited. Accordingly, trading activities in all of the Company's subsidiaries were discontinued at this time.

On 18 November 2016, the Company entered into a £275,000 loan facility with MXC Capital Limited (the "Loan") to allow the repayment of the outstanding £335,000 5% loan notes which were issued at the time of the acquisition of Easytherm Limited and which were due for repayment on 23 November 2016. The Loan is unsecured and has a one year term with interest payable at a rate of 10% per annum.

## Current position

Under the AIM Rules, following the closure of Wireless Things, the Company was deemed to be an "AIM Rule 15 cash shell". Accordingly, in the absence of a qualifying transaction, trading in the Company's shares was suspended on 27 February 2017. The Company now has until 25 August 2017 to make an acquisition or acquisitions which constitute a reverse takeover under Rule 14 of the AIM Rules or otherwise seek readmission as an investing company with the attendant requirement to raise at least £6 million on or immediately before such readmission. In the event that neither of these occur by 25 August 2017, then admission of the Company's shares to trading on AIM will be cancelled.

The income from the Licence Agreement covers the Company's day-to-day costs but is unlikely to be sufficient to fund any material acquisitions.

## Financial Results

Predominantly as a result of the Licence Agreement, revenue for the year to 31 December 2016 was £2.1 million (2015: £1.6 million). This licence is a perpetual licence, meaning the discounted net present value of the full minimum payment is recognised up front. Accordingly, £1.7 million is included in revenue in the year in respect of this agreement.

As detailed above, following the granting of the Licence Agreement and the subsequent strategic review, the decision was taken to discontinue trading operations in all of the Company's subsidiaries. Consequently, the Board considers the assets held by the Group to be impaired as at 31 December 2016 and the assets have therefore been stated at their estimated recoverable amounts at the end of the period, with the result that a loss on re-measurement (impairment loss) has been recognised of £4.2 million (2015: £nil). This charge, together with all trade from the Company's subsidiaries, is recognised within discontinued operations, in accordance with the requirements of IFRS 5. Further details are given in note 2.

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## Chairman's Statement continued

The loss for the year before taxation from continuing operations, which relates to the activities of the Company, was £0.4 million (2015: loss of £1.7 million). The profit before taxation from the discontinued trading activities, up to the point of discontinuation, was £1.0 million (2015: £0.4 million loss). After the above impairment losses, the overall loss after taxation for the year was £3.6 million (2015: £2.0 million).

Cash utilised during the period totalled £0.7 million, with a year-end cash balance of £0.1 million (2015: £0.9 million). Net assets at 31 December 2016 were £0.9 million (2015: £4.5 million).

### Going concern

Based on the terms of the Licence Agreement the Board is confident that the Group will have sufficient funding for its foreseeable future needs. Accordingly, the financial statements have been prepared on a going concern basis.

### Outlook

We are continuing to evaluate potential acquisition targets in the technology sector, and look forward to updating shareholders in due course.



**Clive Carver**

Chairman

27 April 2017

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# Strategic Report

The directors present their strategic report for the year ended 31 December 2016.

## Review of the business

A detailed review of the business is set out in the Chairman's Statement, which is considered to be an integral part of the Strategic Report. Given the Group's status as a 'cash shell', the Board does not consider key performance indicators are appropriate to the performance of the business. The Board does, however, continue to closely monitor administrative expenses and cash balances.

The Consolidated Statement of Comprehensive Income shows the Group loss for the year from continuing operations was £0.4 million (2015: £1.7 million). Total loss for the year including discontinued operations was £3.6 million (2015: £2.0 million).

## Future developments

As detailed in the Chairman's Statement, the Company is now a 'cash shell' under AIM rule 15 and has been suspended from trading on AIM. It has until 25 August 2017 to complete an acquisition, raise sufficient capital to become classed as an investing company or to re-register as a private company.

## Principal risks and uncertainties

The Board continuously identifies, evaluates, manages and mitigates the principal risks and uncertainties facing the Group. Given its status as a 'cash shell', the key risks and uncertainties facing the Group are:

### Ability to maintain AIM listing

As detailed in Future Developments above, if the Company is unable to find a suitable acquisition or raise at least £6 million of new capital it will be de-listed from AIM and be re-registered as a private company. There will therefore be no external market for shareholders to trade their shares in the Company.

### Ability of the Company to continue as a going concern

As detailed in note 1.1, in the absence of any external fundraise, the ability of the Company to continue as a going concern is dependent solely on the receipt of payments due under the licence agreement with Castleton Technology plc. The Directors have no reason to believe that amounts under this agreement will be not be received as they fall due, however should Castleton Technology plc default, the Company may not be able to continue as a going concern.

  
**Clive Carver**  
Chairman

Approved and signed on behalf of the Board  
Dated: 27 April 2017

Registered Office:  
100 Fetter Lane  
London  
EC4A 1BN

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# Directors' Report

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2016 for 365 Agile Group plc (the "Company" or "365 Agile") and its subsidiaries (together the "Group").

## Principal activity

The principal activity of the Group during the year was the development and supply of software and services which allow companies to mobilise their data systems. As detailed in the Chairman's Statement, all subsidiary companies discontinued their trading activities during the year. The Company is now a 'cash shell' under AIM rule 15, seeking a suitable acquisition target through which to continue trade.

## Review of the year and future developments

The review of the year and the directors' strategy and objectives for the future are set out in the Strategic Report.

## Dividends

The Company did not pay a dividend during the year (2015: £nil). The directors do not recommend the payment of a dividend.

## Subsequent events

As detailed in the Chairman's Statement, the Company is now a 'cash shell' under AIM rule 15. Consequently, on 27 February 2017, the Company's shares were suspended from trading on AIM. It has until 25 August 2017 to complete an acquisition, raise sufficient capital to become classed as an investing company or to re-register as a private company.

## Directors

The directors who served during the year, or subsequent to the year end, and their interests in the shares of the Company are listed below. All directors served throughout the year unless otherwise indicated.

		31 December 2016 Number of ordinary shares of 30p each	31 December 2015 Number of ordinary shares of 30p each
Clive Carver	(Non-executive Chairman)	40,000	40,000
Anthony Weaver**	(Non-executive Director, appointed 31 March 2016)	–	–
Jonathan Holyhead	(resigned 31 March 2016)	7,419,682*	7,419,682*
Colin Hutchinson	(resigned 1 November 2016)	–	40,000
Jill Collighan**	(resigned 1 November 2016)	–	–

\* of which 2,726,483 ordinary shares are held by Davinder Sanghera, a person connected with Jonathan Holyhead.

\*\* Anthony Weaver and Jill Collighan are shareholders in MXC Capital Limited ("MXC") and are directors of certain companies within the MXC group. The MXC group held 3,875,685 shares in the Company at 31 December 2016 and 2015.

Details of the directors' remuneration are set out in note 7.

The Company has purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

## Financial instruments

The Group's financial instruments primarily comprise borrowings, cash balances and trade payables, together with outstanding trade receivables from its discontinued operations. Further details of the Group's risks and policies regarding financial instruments are set out in note 19.

## Corporate governance

As an AIM listed company, 365 Agile is not required to, and does not, comply with the UK Corporate Governance Code published by the Financial Reporting Council. However, the directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained and therefore the Company applies all principles the directors consider appropriate to a public company of 365 Agile's size quoted on AIM, taking into account the recommendations contained within the Quoted Companies Alliance Guidelines.

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## Directors' Report continued

The Board of 365 Agile holds meetings as issues arise which require the attention of the Board. Quarterly Board meetings take place where overall performance against the business plan, its strategy and targets are considered. The Board is responsible for setting the strategic direction of the Group, for making all investment decisions, establishing the policies of the Group and for the overall management of the business of the Group. It is the Board's responsibility to oversee and monitor the financial position, the business and affairs of the Group on behalf of the shareholders, to whom the directors are accountable. The primary duty of the Board is to act in the best interests of the Group at all times. The Board also addresses issues relating to internal control and the Group's approach to risk management. The Board has established a remuneration and nominations committee and an audit committee with formally delegated duties and responsibilities. Further details are set out below:

### **Remuneration and nominations committee**

The remuneration and nomination committee comprises Clive Carver and Anthony Weaver. It is chaired by Clive Carver and meets at least once a year. It is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of executive directors and senior employees and the grant of options under any share option scheme of the Company implemented from time to time.

### **Audit committee**

The audit committee comprises Clive Carver and Anthony Weaver and is chaired by Clive Carver. It meets at least twice a year. The audit committee receives and reviews reports from management and from the Company's auditors relating to the interim and annual accounts and to the internal control procedures that are in use throughout the Group. It is responsible for ensuring that the financial performance of the Group is properly reported with particular regard to legal requirements, accounting standards and the AIM Rules for Companies. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

### **Annual General Meeting**

The Annual General Meeting will be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN at 11am on 15 June 2017, to conduct all mandatory business.

Grant Thornton UK LLP were appointed as auditors during the previous period. A resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of Grant Thornton UK LLP as auditor of the Company, at a rate of remuneration to be determined by the audit committee.

### **Disclosure of information to auditors**

The directors who were members of the Board at the time of approving the Directors' Report are listed on page 5. Having made enquiries of fellow directors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no audit information relevant to the preparation of their report of which the Group's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

**Clive Carver**  
Director



Approved and signed on behalf of the Board  
Dated: 27 April 2017

Registered Office:  
100 Fetter Lane  
London  
EC4A 1BN



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# Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report and 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 year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and have elected under company law to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

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 and the Group 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 IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; 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.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved and signed by order of the Board



**Jill Collighan**  
Company Secretary

Dated: 27 April 2017

Registered Office:  
100 Fetter Lane  
London  
EC4A 1BN

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# Independent Auditor's Report to the Members of 365 Agile Group plc

We have audited the financial statements of 365 Agile Group plc for the year ended 31 December 2016 which comprise the consolidated statements of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

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

## **Respective responsibilities of directors and auditor**

As more fully explained in the Statement of Directors' Responsibilities 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

## **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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# **Independent Auditor's Report to the Members of 365 Agile Group plc**

continued

## **Opinion on other matters prescribed by the Companies Act 2006**

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

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

## **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the Group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

## **Matters on which we are required to report by exception**

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

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



**Stuart Muskett**  
Senior Statutory Auditor

Date: 27 April 2017

For and on behalf of Grant Thornton UK LLP, Statutory Auditor  
Chartered Accountants  
Manchester

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

		Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
<b>Continuing operations</b>	Note		
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Exceptional costs	5	(65)	(1,493)
Charges for share-based payments	4	(48)	(18)
Other administrative expenses		(284)	(218)
Total administrative expenses	4	(397)	(1,729)
<b>Operating loss</b>		(397)	(1,729)
Finance costs	6	(18)	(2)
<b>Loss on ordinary activities before taxation</b>		(415)	(1,731)
Income tax	8	-	-
<b>Loss for the year from continuing operations</b>		(415)	(1,731)
Loss for the year from discontinued operations	2	(3,157)	(294)
<b>Loss and total comprehensive income for the year attributable to owners of the parent company</b>		<b>(3,572)</b>	<b>(2,025)</b>
<b>Loss per share</b>			
Basic and diluted loss per share from continuing operations	9	<b>(2.19)p</b>	(25.06)p
Basic and diluted loss per share from discontinued operations	9	<b>(16.69)p</b>	(4.26)p
Total basic and diluted loss per share	9	<b>(18.88)p</b>	(29.32)p

The comparatives have been restated to reflect the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations'. See note 2 for details.

The notes on pages 14-38 are an integral part of these financial statements.

# Consolidated Balance Sheet

As at 31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	-	3,962
Property, plant and equipment	11	-	129
Trade and other receivables	13	689	64
		<b>689</b>	<b>4,155</b>
<b>Current assets</b>			
Inventories	12	-	106
Trade and other receivables	13	772	515
Cash and cash equivalents	14	132	856
		<b>904</b>	<b>1,477</b>
<b>Total assets</b>		<b>1,593</b>	<b>5,632</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	21	5,674	5,674
Share premium account		14,036	14,036
Capital redemption reserve		4,426	4,426
Reverse acquisition reserve		(19,932)	(19,932)
Merger relief reserve		-	2,310
Equity reserve		66	65
Accumulated loss		(3,338)	(2,076)
<b>Total equity attributable to the owners of the parent</b>		<b>932</b>	<b>4,503</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	383	746
Borrowings	17	278	329
		<b>661</b>	<b>1,075</b>
<b>Non-current liabilities</b>			
Borrowings	17	-	23
Deferred taxation liabilities	8	-	31
		<b>-</b>	<b>54</b>
<b>Total liabilities</b>		<b>661</b>	<b>1,129</b>
<b>Total equity and liabilities</b>		<b>1,593</b>	<b>5,632</b>

The notes on pages 14-38 are an integral part of these financial statements. The financial statements on pages 10-38 were approved by the Board and authorised for issue on 27 April 2017 and are signed on its behalf by:

   
**C Carver**                      **A Weaver**  
Director                              Director

Company number: 4958332

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Reverse acquisition reserve £000	Merger relief reserve £000	Equity reserve £000	Accumulated loss £000	Total equity £000
<b>At 1 January 2015</b>	3,734	7,441	994	(13,069)	1,150	–	(51)	199
Loss for the year and total comprehensive income	–	–	–	–	–	–	(2,025)	(2,025)
<b>Transactions with owners:</b>								
Share-based payments – staff share scheme	–	–	–	–	–	47	–	47
Share-based payments – warrants issued	–	–	–	–	–	18	–	18
Shares cancelled	(3,432)	–	3,432	–	–	–	–	–
Shares issued – reverse acquisition	3,780	5,670	–	–	–	–	–	9,450
Shares issued – placing	920	1,380	–	–	–	–	–	2,300
Shares issued – to acquire subsidiary company	670	–	–	–	1,160	–	–	1,830
Shares issued – to former adviser	2	5	–	–	–	–	–	7
Cost of share issues	–	(460)	–	–	–	–	–	(460)
Reverse acquisition adjustment	–	–	–	(6,863)	–	–	–	(6,863)
	1,940	6,595	3,432	(6,863)	1,160	65	–	6,329
<b>At 31 December 2015</b>	5,674	14,036	4,426	(19,932)	2,310	65	(2,076)	4,503
Loss for the year and total comprehensive income	–	–	–	–	–	–	(3,572)	(3,572)
<b>Transactions with owners:</b>								
Share-based payments – staff share scheme	–	–	–	–	–	(47)	–	(47)
Share-based payments – warrants issued	–	–	–	–	–	48	–	48
Transfer between reserves on impairment of investment in subsidiaries	–	–	–	–	(2,310)	–	2,310	–
	–	–	–	–	(2,310)	1	2,310	1
<b>At 31 December 2016</b>	<b>5,674</b>	<b>14,036</b>	<b>4,426</b>	<b>(19,932)</b>	<b>–</b>	<b>66</b>	<b>(3,338)</b>	<b>932</b>

The notes on pages 14-38 are an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
<b>Cash flows from operating activities</b>			
Cash used in operations	23	(351)	(584)
Net finance charges paid		(18)	–
Income taxes paid		–	–
<b>Net cash flows used in operating activities – continuing operations</b>		<b>(369)</b>	<b>(584)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		–	2,300
Costs of share issue		–	(460)
Borrowings received		275	950
Repayment of borrowings		(319)	(136)
<b>Net cash flows (used in)/generated from financing activities – continuing operations</b>		<b>(44)</b>	<b>2,654</b>
<b>Net cash flows used in discontinued operations</b>	2	<b>(311)</b>	<b>(1,421)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(724)</b>	<b>649</b>
Cash and cash equivalents at 1 January		856	207
<b>Cash and cash equivalents at 31 December</b>		<b>132</b>	<b>856</b>
<b>Comprising:</b>			
<b>Cash and cash equivalents</b>	14	<b>132</b>	<b>856</b>

The comparatives have been restated to reflect the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations'. See note 2 for details.

The notes on pages 14-38 are an integral part of these financial statements.

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# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 1 Accounting policies – Group

365 Agile Group plc ('365 Agile') is a public limited company incorporated and domiciled in England and Wales, whose shares are quoted on AIM, the market of that name operated by the London Stock Exchange. The registered office is 100 Fetter Lane, London, EC4A 1BN and the principal place of business is the United Kingdom. The principal activity of the Group during the year was the development and supply of software and services which allow companies to mobilise their data systems. As detailed in the Chairman's Statement, all subsidiary companies discontinued their trading activities during the year and the Company is now a 'cash shell' under AIM Rule 15, seeking a suitable acquisition target through which to continue trade.

The principal accounting policies, which have been applied consistently in the preparation of these consolidated financial statements throughout the year and by all subsidiary companies, are set out below:

### 1.1 Basis of preparation

The consolidated financial statements of 365 Agile have been prepared on the going concern basis and in accordance with EU adopted International Financial Reporting Standards (IFRSs), IFRIC interpretations and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Section 1.25 of the accounting policies.

Certain comparative amounts are restated in respect of discontinued activities. Further details are given in Section 1.3 below.

New standards adopted in the year are discussed in Section 1.24.

### *Going Concern*

The directors have prepared detailed cash flow projections including sensitivity analysis on key assumptions. Based on the revised licence agreement with Castleton Technology plc, the Group's forecasts and projections, taking account of reasonably possible changes in the timing of key strategic events, show 365 Agile will be able to operate within the level and conditions of available funding. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In addition, following the discontinuation of trading activities in the Company's subsidiaries, the Board continues to seek a suitable acquisition through which to continue the Group's operations.

Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

### 1.2 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to reflect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The Group applies the acquisition method to account for business combinations where the transaction meets the criteria specified within IFRS 3. The consideration transferred for the acquisition of a subsidiary is the total of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.



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# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 1 Accounting policies – Group continued

In August 2015, 365 Agile Group plc acquired, via a share for share exchange, the entire share capital of 365 Agile Limited. The exchange did not meet the definition of a business combination under IFRS 3. Although not a business combination, IFRS 3 requires the preparation of consolidated financial statements using reverse acquisition methodology.

### 1.3 Discontinued operations

As detailed in note 2, during the year the Company's subsidiaries discontinued their trading activities and are therefore classified as discontinued operations. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the re-measurement to fair value of the related assets and liabilities.

### 1.4 Intangible assets

#### *Goodwill*

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred and the fair value of any non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is immediately recognised in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

#### *Development costs*

Software costs are measured on initial recognition at cost comprising of the purchase price and any directly attributable costs. Internally developed costs are recognised as intangible assets, during the development phase, provided that they meet the following criteria:

- the development costs can be measured reliably;
- the project is technically feasible of reaching completion;
- the Group has adequate technical, financial and other resources to complete the project;
- the Group has the ability to use or sell the software;
- there is an intention to complete the software and use it or sell it; and
- the software will generate probable future economic benefits.

Those costs that do not meet this criteria are expensed as incurred.

Amortisation is charged so as to allocate the cost of assets less residual value over their estimated useful lives, using the straight line method. Assets under the course of construction do not have any amortisation and instead are reviewed annually for impairment. The estimated useful lives of intangible assets are:

Development & software costs – 20% on cost per annum

#### *Other intangible assets*

Intangible assets that meet the criteria to be separately recognised as part of a business combination are carried at cost (which is equal to their fair value at the date of acquisition) less accumulated amortisation and impairment losses. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets acquired in this manner include software and customer contracts. They are amortised over their estimated useful life as follows:

Software	4 years
Customer contracts and related relationships	within 1 year

Impairment and amortisation charges are included within the profit or loss as detailed in note 10.

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# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 1 Accounting policies – Group continued

### 1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost includes the original price of the asset and the cost attributable to bringing the asset to its current working condition for its intended use.

Depreciation, down to residual value, is calculated over the estimated useful life of the asset which is reviewed on an annual basis, as follows:

Plant and machinery	25% reducing balance basis
Equipment, fixtures and fittings	2–3 years straight line and 30% reducing balance

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

### 1.6 Impairment of assets

Goodwill is not subject to amortisation and is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date any goodwill acquired is allocated to each of the cash generating units expected to benefit from the business combination's synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, including goodwill, an impairment loss is recognised in profit or loss.

Other intangible assets and property, plant and equipment are subject to amortisation and depreciation and are reviewed for impairment whenever events or changes in circumstances indicate the carrying values may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of intangible assets and property, plant and equipment is the greater 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the cash generating unit to which the asset belongs. Fair value less costs to sell is, where known, based on actual sales price net of costs incurred in completing the disposal.

Non-financial assets (other than goodwill) that were impaired in previous periods are reviewed annually to assess whether the impairment is still relevant.

### 1.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds.

Share warrants that are issued within the scope of IFRS 2 (as detailed in 1.14) are measured at fair value on the date of grant. They are classified as equity instruments based on the substance of the contractual arrangements entered into.

### 1.8 Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

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# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 1 Accounting policies – Group continued

### 1.9 Current and deferred income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is calculated using rates and laws that have been enacted or substantively enacted at the balance sheet date that are expected to be in place when the temporary differences reverse.

Deferred tax is provided for on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

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

### 1.10 Trade and other receivables

Trade and other receivables are initially recognised and carried at fair value and subsequently amortised cost under the effective interest method. Provision is made where there is objective evidence that the balances will not be recovered in full. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Amounts recoverable on contracts are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amount received as progress payments on account.

The Group's trade and other receivables are non-interest bearing.

### 1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits and are subject to insignificant risk of changes in value and have maturities of three months or less from inception.

### 1.12 Foreign currencies

The functional and presentation currency of 365 Agile is Pounds Sterling (£) and the Group conducts its business in Sterling.

### 1.13 Pensions

The Group operates a defined contribution scheme. Pension costs are charged directly to the profit or loss in the period to which they relate on an accruals basis. The Group has no further payment obligations once contributions have been paid.

### 1.14 Share-based payment transactions

The cost of equity-settled transactions with employees or suppliers is measured by reference to the fair value of the award at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees or suppliers become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model for which the assumptions are approved by the directors. In valuing equity-settled transactions, only vesting conditions linked to the market price of the shares of the Company are considered.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 1 Accounting policies – Group continued

### 1.15 Financial assets

The Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' on the balance sheet.

#### *Recognition*

Financial assets are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument and are measured initially at fair value and at amortised cost at each reporting period end.

#### *De-recognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the asset have expired and the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full and either (a) the entity has transferred substantially all the risks and rewards of the asset, or (b) the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

### 1.16 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in the finance cost line in profit or loss.

#### *De-recognition*

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

### 1.17 Finance costs

Loans are carried at fair value on initial recognition, net of unamortised issue costs of debt. These costs are amortised over the loan term.

All other borrowing costs are recognised in the income statement on an accruals basis, using the effective interest rate method.

### 1.18 Equity

Equity comprises the following:

#### *Called up share capital*

Called up share capital represents the nominal value of ordinary shares in issue.

#### *Share premium account*

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

#### *Capital redemption reserve*

The capital redemption reserve includes amounts transferred to this reserve when shares are purchased and cancelled immediately.

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# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 1 Accounting policies – Group continued

### *Reverse acquisition reserve*

The reverse acquisition reserve represents the difference between the parent's capital and the acquired Group's capital.

### *Merger relief reserve*

Merger relief reserve represents the premium arising on shares issued as part or full consideration for acquisitions, where advantage has been taken of the provisions of section 612 of the Companies Act 2006.

### *Equity reserve*

The equity reserve is a reserve to recognise those amounts in equity in respect of share-based payments, as detailed in note 22.

### *Accumulated loss*

Accumulated loss represents losses incurred.

### **1.19 Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results taking into account the type of customer, the type of transaction and the specifics of each arrangement.

#### ***Sale of software licences***

The Group sells licences to use its software products either on a perpetual royalty free basis or on a rental basis for a fixed period of time. Revenue arising from the sale of perpetual licences is recognised at the time of sale provided that all the Group's obligations associated with the sale of the licence have been fulfilled. As above, where a licence agreement provides for an element of contingent revenue dependent on future performance, the contingent element is not recognised within revenue until the outcome of the dependency is known with certainty.

Revenue from licences sold on a rental or subscription basis is recognised over the period for which the Group has obligations under the contract.

#### ***Sales of services***

The Group sells consultancy, training, implementation and project management services to customers. Revenue from the sale of services is recognised as the services are provided.

#### ***Sales of goods***

Sales of goods are recognised on delivery.

#### ***Annual contracts***

The Group enters into contracts to provide support services on an annual basis. Revenue from support agreements is recognised in equal instalments over the period of the agreements.

### **1.20 Other income**

#### ***Finance income***

Income is recognised on an accrual basis using the effective interest method.

#### ***Government grants***

Grants received in respect of operational costs are recognised as income in the income statement over the period necessary to match it with the related operational costs, for which it is intended to compensate.

Grants received in respect of capital expenditure are recognised by setting up the grant as deferred income. Deferred income is recognised in the income statement on a systematic basis over the useful life of the asset.

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# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 1 Accounting policies – Group continued

### 1.21 Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are highlighted separately on the face of the income statement. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance. Items which are included within the exceptional category include:

- the actual and deemed costs of listing arising from the reverse acquisition in the prior year;
- spend on the integration of significant acquisitions and other major restructuring programmes; and
- other particularly significant or unusual items.

Spend on integration is incurred by the Group, when integrating one trading business into another. The types of costs include employment related costs of staff made redundant as a consequence of integration, due diligence costs, legal and third party advisor fees and rebranding costs.

Exceptional items are excluded from the headline profit measures used by the Group and are highlighted separately in the income statement as management believe that they need to be considered separately to gain an understanding of the underlying profitability of the trading businesses. Details of the exceptional costs incurred in the year are given in note 5.

### 1.22 Operating profit or loss

The operating profit or loss is identified in the income statement and represents the profit or loss on continuing activities before finance income and costs and taxation.

### 1.23 Segmental reporting

The Chief Operating Decision Maker has been identified as the Executive Board. The Executive Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Board assesses the performance of the operating segments based on adjusted EBITDA. Information provided to the Executive Board is measured in a manner consistent with that in the financial statements.

### 1.24 Application of new IFRSs and interpretations

#### *Adoption of new accounting standards*

There were no updates to standards or interpretations which became effective this financial year, which were not in effect for the previous financial year.

#### *Recently issued accounting pronouncements*

At the date of issue of these financial statements, the following relevant Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective. The directors anticipate that the adoption of these Standards and Interpretations, which is expected to occur on their effective dates, will not have a material impact on the Group's financial statements.

- IFRS 16, Leases (effective date for annual periods beginning on or after 1 January 2019)
- IFRS 9, Financial Instruments (2014) (effective date for annual periods beginning on or after 1 January 2018)
- IFRS 15, Revenue from Contracts with Customers (effective date for annual periods beginning on or after 1 January 2018)
- IFRS 2, Classification and Measurement of Share-based Payment Transactions (effective date for annual periods beginning on or after 1 January 2018)
- IAS 7 Disclosure Initiative (Amendments to IAS 7) (effective date for annual periods beginning on or after 1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective date for annual periods beginning on or after 1 January 2017)

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# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 1 Accounting policies – Group continued

### 1.25 Critical accounting estimates and assumptions

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

#### *Impairment of intangibles*

Following the discontinuation of trade in the Company's subsidiaries, the directors have carried out an impairment review of the Group's intangibles, based on their assessment of the recoverable amounts of the Group's cash generating units. This has resulted in an impairment loss in the year in respect of intangibles. See notes 2 and 10 for further details.

#### *Recovery of trade and other receivables*

The directors have reviewed the Group's trade and other receivables and have made impairment provisions where they believe them to be necessary.

The Group is owed £1.4 million by the Castleton Technology plc group at 31 December 2016 in respect of a licence agreement entered into between the two parties. This amount is stated at amortised cost in accordance with 1.15 above. In the opinion of the Board, based on both its assessment of Castleton Technology plc's ability to service this debt and on its payment history to date, no provision is required against this receivable. Further details of the licence agreement are given in note 27.

#### *Recognition of revenue*

The above agreement with Castleton Technology plc is in relation to the sale of a perpetual licence and has therefore been recognised as the sale of a software licence in accordance with 1.19 above. The licence agreement provides for a minimum level of revenue together with a further contingent revenue, dependent on future sales levels being achieved. As the future sales levels cannot be predicted with reasonable accuracy the contingent income has not been recognised within revenue in the current year.

As detailed in 1.19 above, revenue arising from the sale of perpetual licences is recognised at the time of sale provided that all the Group's obligations associated with the sale of the licence have been fulfilled. The licence agreement with Castleton Technology plc is in respect of such a perpetual licence and therefore the fair value of the minimum revenues due under the contract has been recognised in full at the time of sale.

The fair value has been calculated using a discount rate of 5%, which the Board feels is an appropriate risk-adjusted estimate of the weighted average cost of capital.

#### *Estimated valuation of warrants*

Share warrants are valued based on the following definition of Fair Value per IFRS 13 'Fair Value Measurement': 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. These calculations require the use of estimates of inputs such as share price volatility, performance criteria, dividend yield and warrant life. External experts have been engaged for valuation purposes where appropriate. See note 21 for further details.

#### *Classification of Exceptional costs*

The directors have exercised judgement when classifying certain costs as integration and strategic costs. They believe that these costs are all related to the costs described in note 1.21 and are further detailed in note 5.

#### *Going concern*

The directors have prepared detailed cash flow projections including sensitivity analysis on key assumptions. Based on the revised licence agreement with Castleton Technology plc, the Group's forecasts and projections, taking account of reasonably possible changes the timing of key strategic events, show 365 Agile will be able to operate within the level and conditions of available funding. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In addition, following the discontinuation of trading activities in the Company's subsidiaries, the Board continues to seek a suitable acquisition through which to continue the Group's operations.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 2 Discontinued operations

As explained in the Chairman's Statement, in August 2016 the Company announced that it was now deemed to be an "AIM Rule 15 cash shell", following the discontinuation of the trading activities of its subsidiary companies. The Group continues to collect receivables due from its period of trade, but the Company is the only element of the Group continuing to carry out ongoing trading activities. In accordance with the provisions of IFRS 5 'Assets held for sale and discontinued operations' the activities of the Company are classed as 'continuing operations' whilst all other activities of the Group during the year meet the definition of 'discontinued operations'. As required by IFRS 5, all revenue and expenses, gains and losses relating to the discontinuation of the Company's subsidiaries have been eliminated from profit or loss in the Group's continuing operations and are shown as a single line item in the Consolidated Statement of Comprehensive Income (see 'loss for the year from discontinued operations').

The operating profit of the discontinued operations and the loss on re-measurement of the fair value of the related assets and liabilities at the point of discontinuation are summarised as follows:

	2016 £000	2015 £000
<b>Operating profit:</b>		
Revenue	2,124	1,591
Cost of sales	(79)	(197)
Administrative expenses (see note 4)	(1,033)	(1,832)
Other operating income – grant income received	12	31
Operating profit/(loss)	1,024	(407)
Net finance costs	(4)	(17)
Profit/(loss) from discontinued operations before tax	1,020	(424)
Tax (expense)/income	(73)	130
Profit/(loss) for the year	947	(294)
<b>Loss on re-measurement:</b>		
Loss before tax on re-measurement to fair value, less costs to sell (see below)	(4,206)	–
Tax income	102	–
Total loss on re-measurement	(4,104)	–
Loss for the year from discontinued operations	(3,157)	(294)



## Notes to the Consolidated Financial Statements

Year ended 31 December 2016

### 2 Discontinued operations continued

The subsidiary companies have not been disposed of, but have all discontinued their trading activities. The fair value of the assets and liabilities relating to those companies has been re-measured at the point of discontinuation of trade, with the following impairment (gains)/losses recognised:

	2016 £000	2015 £000
Intangible assets (note 10)	3,883	–
Property, plant and equipment (note 11)	109	–
Inventories (note 12)	97	–
Trade and other receivables (note 13)	139	–
Impairment losses	4,228	–
Re-measurement of trade and other payables	(22)	–
Loss before tax on re-measurement to fair value, less costs to sell	4,206	–

Cash flows arising from the discontinued operations were as follows:

	2016 £000	2015 £000
Operating activities	(247)	(350)
Investing activities	(33)	(1,071)
Financing activities	(31)	–
Cash flows used in discontinued operations	(311)	(1,421)

### 3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Makers ('CODM'). The CODM has been identified as the Board.

The Board is responsible for resource allocation and, when applicable, assessing the performance of the operating segments. Operating segments are defined by distinctly separate product offerings or markets. Prior to the discontinuation of trading activities, which is further explained in note 2, the CODMs considered that, given the current early stage of the Group's development, product set and sales function, all activities related to one segment; the development and exploitation of technology. All results therefore, for both the current and comparative period, were derived from this one operating segment.

As the income generating activities have been discontinued, the figures stated within continuing operations in the consolidated statement of comprehensive income all relate to the Company's costs of fulfilling its role as the Group's holding company and AIM listed vehicle. As explained above, all figures stated within the discontinued operations operating profit analysis within note 2 relate to the one operating segment of the development and exploitation of technology.

In respect of discontinued operations, all revenue originated in the United Kingdom with the exception of £nil (2015: £27,000) which originated in the USA.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 3 Segment reporting continued

The Group's discontinued revenue is analysed as follows:

	2016 £000	2015 £000
Sales of physical goods	87	385
Sales of licences and associated support services	2,037	1,206
	<b>2,124</b>	<b>1,591</b>

The Group made sales to the following customers who accounted for 10% or more of revenue during the year:

	2016 £000	2015 £000
Customer A	1,891	683
Customer B	–	431

## 4 Administrative Expenses

	2016 Continuing operations £000	2016 Discontinued operations £000	2016 Total £000
Employee costs within administrative expenses, excluding share-based compensation (note 7)	–	581	581
Depreciation of owned assets	–	29	29
Amortisation of intangible assets	–	114	114
Fees payable to the Company's auditor for the audit of the consolidated and Group financial statements	20	–	20
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	–	5	5
Fees payable to the Company's auditor for taxation compliance services	7	–	7
Fees payable to the Company's auditor for other assurance services	4	–	4
Share-based payment charges (see note 22)	48	(47)	1
Exceptional costs (see note 5)	65	–	65
Other administrative costs	253	351	604
<b>Total administrative expenses</b>	<b>397</b>	<b>1,033</b>	<b>1,430</b>

	2015 Continuing operations £000	2015 Discontinued operations £000	2015 Total £000
Employee costs within administrative expenses, excluding share-based compensation (note 7)	–	881	881
Depreciation of owned assets	–	39	39
Amortisation of intangible assets	–	367	367
Fees payable to the Company's auditor for the audit of the consolidated and Group financial statements	20	–	20
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	–	12	12
Share-based payment charges (see note 22)	18	47	65
Exceptional costs (see note 5)	1,493	307	1,800
Other administrative costs	198	179	377
<b>Total administrative expenses</b>	<b>1,729</b>	<b>1,832</b>	<b>3,561</b>

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 5 Exceptional costs

In accordance with the Group's policy in respect of exceptional costs, the following charges were incurred during the year:

	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>Continuing</b>	<b>Discontinued</b>	<b>Total</b>	<b>Continuing</b>	<b>Discontinued</b>	<b>Total</b>
	<b>operations</b>	<b>operations</b>		<b>operations</b>	<b>operations</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Deemed cost of listing on reverse	–	–	–	940	–	940
Reverse acquisition costs	–	–	–	406	–	406
Other acquisition costs	–	–	–	47	202	249
Integration and reorganisation costs	<b>65</b>	–	<b>65</b>	100	105	205
	<b>65</b>	–	<b>65</b>	1,493	307	1,800

## 6 Finance costs

Continuing operations:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest expense in respect of amounts carried at amortised cost:		
Loan notes	<b>15</b>	2
Other loans	<b>3</b>	–
	<b>18</b>	2

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 7 Employee benefits expense

	2016 £000	2015 £000
Staff costs for the year, including executive directors, amounted to:		
Wages and salaries	527	778
Social security costs	54	101
Pension costs	–	2
Total payroll costs	581	881
Share-based compensation (note 22)	(47)	47
Total employment costs	534	928
Average monthly number of people employed (including executive directors):		
	2016 £000	2015 £000
Technical and operations	24	18
Management	1	1
Administration	1	3
Total average headcount	26	22

The remuneration of the directors, for the period of their time in office, was as follows:

	Basic salary, allowances and fees £000	Bonus £000	Benefits £000	2016 Total £000	2015 Total £000
<b>Executive</b>					
Jonathan Holyhead (highest paid director 2015)	45	–	3	48	100
Jill Collighan (highest paid director 2016 – see below)	69	–	–	69	14
<b>Non-executive</b>					
Clive Carver	50	–	–	50	18
Colin Hutchinson	38	–	–	38	12
Tony Weaver	–	–	–	–	–
	202	–	3	205	144

Director's fees in respect of Jill Collighan were paid to MXC Capital (UK) Limited, a related party. None of the directors held any share options in the Company in 2016 or 2015.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 8 Income tax

### (a) Tax on loss on ordinary activities

	2016 Continuing operations £000	2016 Discontinued operations £000	2016 Total £000	2015 Continuing operations £000	2015 Discontinued operations £000	2015 Total £000
<b>Corporation Tax:</b>						
Current tax on loss for the year	-	-	-	-	-	-
Prior year adjustment	-	2	2	-	-	-
<b>Deferred tax:</b>						
Origination and reversal of timing differences	-	(31)	(31)	-	(130)	(130)
Total tax credit	-	(29)	(29)	-	(130)	(130)

The rate of UK Corporation tax for the years beginning 1 January 2016 and 2015 is 20% and the relevant deferred tax balances reflect this.

### (b) Reconciliation of the total income tax credit

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	2016 £000	2015 £000
Loss from operations before taxation	(3,601)	(2,155)
Accounting loss multiplied by the UK standard rate of corporation tax of 20% (2015: 20%)	(720)	(431)
Net items not deductible for tax purposes	811	301
Losses utilised	(91)	-
Prior year adjustment	2	-
Movement in deferred tax	(31)	-
Total income tax credit	(29)	(130)

### (c) Unrecognised deferred tax

The Group has unrecognised deferred tax assets of £2.0 million (2015: £2.0 million) in respect of losses incurred in previous years which it is unlikely to be able to utilise except in very limited circumstances. Deferred tax assets have not been recognised in respect of losses where it is the view of the directors that it is not probable that future taxable profits of the nature required will be available to offset against any deferred tax asset.

### (d) Deferred tax liability

	£000
At 1 January 2015	-
Business combinations	161
Credit to income statement	(130)
At 31 December 2015	31
Credit to income statement	(31)
At 31 December 2016	-

Deferred tax liabilities arose in respect of the amortisation of intangible assets recognised on acquisitions made and the difference between capital allowances and depreciation.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 9 Earnings/loss per share

The calculation of basic and diluted loss per share from continuing and discontinued operations is based on results attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding warrants would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

Basic and diluted loss per share from continuing operations is calculated as follows:

	<b>2016 Loss per share pence</b>	<b>2016 Loss £000</b>	<b>2016 Weighted average number of ordinary shares</b>	<b>2015 Loss per share pence</b>	<b>2015 Loss £000</b>	<b>2015 Weighted average number of ordinary shares</b>
Basic and diluted loss per share – continuing operations	<b>(2.19)</b>	<b>(415)</b>	<b>18,914,073</b>	<b>(25.06)</b>	<b>(1,731)</b>	<b>6,907,375</b>

Basic and diluted loss per share from discontinued operations is calculated as follows:

	<b>2016 Loss per share pence</b>	<b>2016 Loss £000</b>	<b>2016 Weighted average number of ordinary shares</b>	<b>2015 Loss per share pence</b>	<b>2015 Loss £000</b>	<b>2015 Weighted average number of ordinary shares</b>
Basic and diluted loss per share – discontinued operations	<b>(16.69)</b>	<b>(3,157)</b>	<b>18,914,073</b>	<b>(4.26)</b>	<b>(294)</b>	<b>6,907,375</b>

Total basic and diluted loss per share is calculated as follows:

	<b>2016 Loss per share pence</b>	<b>2016 Loss £000</b>	<b>2016 Weighted average number of ordinary shares</b>	<b>2015 Loss per share pence</b>	<b>2015 Loss £000</b>	<b>2015 Weighted average number of ordinary shares</b>
Total basic and diluted loss per share	<b>(18.88)</b>	<b>(3,572)</b>	<b>18,914,073</b>	<b>(29.32)</b>	<b>(2,025)</b>	<b>6,907,375</b>

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 10 Intangible assets

	Goodwill £000	Software £000	Customer contacts and related relationships £000	Development expenditure £000	Total £000
<b>Cost</b>					
At 1 January 2015	–	–	–	16	16
Additions	–	–	–	218	218
Business Combinations	3,140	795	160	–	4,095
At 31 December 2015	3,140	795	160	234	4,329
Additions	–	–	–	35	35
<b>At 31 December 2016</b>	<b>3,140</b>	<b>795</b>	<b>160</b>	<b>269</b>	<b>4,364</b>
<b>Amortisation and impairment</b>					
At 1 January 2015	–	–	–	–	–
Charge for the year	–	(200)	(160)	(7)	(367)
At 31 December 2015	–	(200)	(160)	(7)	(367)
Charge for the year	–	(99)	–	(15)	(114)
Impairment losses	(3,140)	(496)	–	(247)	(3,883)
<b>At 31 December 2016</b>	<b>(3,140)</b>	<b>(795)</b>	<b>(160)</b>	<b>(269)</b>	<b>(4,364)</b>
<b>Net carrying amount</b>					
<b>31 December 2016</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
31 December 2015	3,140	595	–	227	3,962

Software relates to the Group's technology platform. The amortisation charge of £114,000 (2015: £367,000) is recognised in operating profit within discontinued operations. The impairment losses of £3,883,000 (2015: £nil) are recognised in loss on re-measurement within discontinued operations. See note 2 for further details.

## Notes to the Consolidated Financial Statements

Year ended 31 December 2016

### 11 Property, plant and equipment

	Plant and machinery £000	Equipment, fixtures and fittings £000	Total £000
<b>Cost</b>			
At 1 January 2015	–	7	7
Additions	39	32	71
Business Combinations	71	19	90
At 31 December 2015	110	58	168
Additions	2	5	7
Disposals	(112)	(61)	(173)
<b>At 31 December 2016</b>	<b>–</b>	<b>2</b>	<b>2</b>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2015	–	–	–
Charge for the year	(22)	(17)	(39)
At 31 December 2015	(22)	(17)	(39)
Charge for the year	(15)	(14)	(29)
Impairment losses	–	(5)	(5)
Disposals	37	34	71
<b>At 31 December 2016</b>	<b>–</b>	<b>(2)</b>	<b>(2)</b>
<b>Carrying amount</b>			
<b>31 December 2016</b>	<b>–</b>	<b>–</b>	<b>–</b>
31 December 2015	88	41	129

The depreciation charge of £29,000 (2015: £39,000) is recognised in operating profit within discontinued operations. The impairment losses of £5,000 (2015: £nil), together with a loss on disposal of property, plant and equipment of £104,000 (2015: £nil), are recognised in loss on re-measurement within discontinued operations. See note 2 for further details.



## Notes to the Consolidated Financial Statements

Year ended 31 December 2016

### 12 Inventories

	2016 £000	2015 £000
Inventory	–	112
Less: provision for obsolete and slow-moving stock	–	(6)
	–	106

The table below shows the analysis of inventory:

	2016 £000	2015 £000
Raw materials and work in progress	–	52
Finished goods	–	54
	–	106

During the year, the cost of inventories recognised as an expense and included in cost of sales within discontinued operations amounted to £49,000 (2015: £91,000).

Also during the year, inventories with a value of £97,000 (2015: £6,000) were impaired. The 2016 charge is recognised in loss on re-measurement within discontinued operations within discontinued operations. The 2015 charge is recognised in operating profit within discontinued operations. See note 2 for further details.

### 13 Trade and other receivables

	2016 £000	2015 £000
Trade receivables	752	392
Other receivables	16	79
Prepayments	4	44
Amounts due within 12 months	772	515
Trade receivables	689	–
Other receivables	–	64
Amounts due after more than 12 months	689	64
Total receivables	1,461	579

During the year to 31 December 2016, trade receivables of £21,000 (2015: £21,000) were impaired with the impairment loss recognised in operating profit within discontinued operations. Prepayments of £8,000 (2015: £nil) and other receivables of £131,000 (2015: £nil) were also impaired on the discontinuation of trade. These impairment charges are recognised in loss on re-measurement within discontinued operations. See note 2 for further details.

Trade receivables, which are stated at amortised cost, include an amount of £1,420,000 in respect of a licence sale made during the year to Castleon Technology plc. Receipts under this agreement are contracted to be received on a regular basis up until April 2019. See note 27 for further details. As at 31 December 2016, no trade receivables were past due.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security. The carrying amounts of the Group's trade and other receivables are denominated in pounds.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 13 Trade and other receivables continued

Movements on the Group provision for impairment of trade receivables are as follows:

	£000
Balance at 31 December 2015	21
Utilised	(21)
At 31 December 2016	–

## 14 Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	132	856

The table below shows the balance with the major counterparty in respect of cash and cash equivalents:

Credit rating	2016 £000	2015 £000
BBB+ and above	132	856

## 15 Trade and other payables

Current	2016 £000	2015 £000
Trade payables	311	279
Other payables	–	23
Taxation and social security	–	83
Accruals	72	140
Deferred income	–	221
	383	746

## 16 Commitments

### a) Operating leases

Future aggregate minimum annual lease payments under non-cancellable operating leases as at 31 December are as follows:

Leases ending:	Land and buildings 2016 £000	Other 2016 £000	Land and buildings 2015 £000	Other 2015 £000
Not later than 1 year	–	1	30	7
After 1 year but not more than 5 years	–	–	–	29
After 5 years	–	–	–	–
	–	1	30	36

### (b) Capital commitments

The Group had no contracted but not provided for capital commitments at 31 December 2016 (2015: £nil).

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 17 Borrowings

	2016 £000	2015 £000
<b>Current</b>		
Loans	278	8
Convertible loan notes	–	321
	<b>278</b>	<b>329</b>
<b>Non-current</b>		
Loans	–	23
	<b>–</b>	<b>23</b>

### Loans

The loan is repayable in November 2017 and accrues an interest rate of 10.0% per annum.

## 18 Financial instruments by category

The objectives of the Group's treasury activities are to manage financial risk, secure cost-effective funding where necessary and minimise adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group.

The Group's principal financial instruments for fundraising are loan facilities. The Group has various other financial instruments such as cash, trade receivables and trade payables that arise directly from its operations.

	2016 £000	2015 £000
<b>Financial Assets – loans and receivables</b>		
Trade receivables due within 12 months	752	392
Other current assets	16	79
Trade receivables due after 12 months	689	–
Other receivables due after 12 months	–	64
Cash and cash equivalents	132	856
	<b>1,589</b>	<b>1,391</b>

The fair value of the above items equals their carrying amounts.

	2016 £000	2015 £000
<b>Financial Liabilities – amortised cost</b>		
Trade and other payables excluding statutory liabilities	383	442
Convertible loan notes	–	321
Other loans	278	31
	<b>661</b>	<b>794</b>

During the year, financial assets of £68,000 (2015: £nil) and financial liabilities of £7,000 (2015: £nil) were impaired.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 19 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments of excess liquidity.

### (a) Market risk

#### (i) Cash flow risk

The Group receives interest on cash and cash equivalents and pays interest on its borrowings.

The impact on post-tax profit and equity of a +/- 1% shift in the interest rate would not be material.

#### (ii) Price risk

The Group is not exposed to significant commodity or security price risk.

### (b) Credit risk

Credit risk is managed at a subsidiary level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, amounts recoverable on contracts and committed transactions. Individual risk limits are set based on internal and external ratings and reviewed by the Board where appropriate. The utilisation of credit limits is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

### (c) Liquidity risk

Management reviews cash forecasts of operating companies of the Group in accordance with practice and limits set by the Group. The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. These amounts disclosed in the table are the contracted undiscounted cash flows. Balances within 12 months equal their carrying balances as the impact of discounting is not significant.

	Within 1 year £000	1–2 years £000	More than 2 years £000	Total £000
<b>At 31 December 2016</b>				
Trade and other payables	383	–	–	<b>383</b>
Other loans	303	–	–	<b>303</b>
	Within 1 year £000	1–2 years £000	More than 2 years £000	Total £000
<b>At 31 December 2015</b>				
Trade and other payables	442	–	–	442
Convertible loan notes	335	–	–	335
Other loans	11	11	18	40

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 20 Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

The Group uses the following definition of net debt:

Interest bearing loans and borrowings less cash and short-term deposits.

The interest bearing loans figure used is the gross amount of cash borrowed at that time, as opposed to the carrying value under the amortised cost method.

	2016 £000	2015 £000
Interest bearing loans and borrowings (note 17)	278	352
Less: cash and short term deposits (note 14)	(132)	(856)
Net debt	146	(504)

## 21 Called up share capital

	2016 Number	2015 Number	2016 £000	2015 £000
<b>Allotted, called up and fully paid share capital</b>				
Ordinary shares of 30p (2015: 30p, 2014: 0.003p)				
1 January	18,914,073	10,056,423,466	5,674	302
Share consolidation	-	(10,055,417,823)	-	-
Share issues	-	17,908,430	-	5,372
31 December	18,914,073	18,914,073	5,674	5,674
Deferred shares of 0.247p				
1 January	-	1,389,756,800	-	3,432
Shares repurchased and cancelled	-	(1,389,756,800)	-	(3,432)
31 December	-	-	-	-
Total issued share capital	18,914,073	18,914,073	5,674	5,674

Each Ordinary share has the same right to receive dividends and the repayment of capital and represents one vote at shareholders' meetings of 365 Agile Group plc.

### Share issue

During the year the following shares were issued:

	2016 Number	2015 Number
Placing with investors	-	3,066,667
Shares issued as consideration for fees	-	10,056
Shares issued as consideration for acquisition of 365 Agile Limited	-	12,599,999
Shares issued as consideration for acquisition of Easytherm Limited	-	2,231,708
	-	17,908,430

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 21 Called up share capital continued

### 2015:

In order to provide sufficient working capital to allow the Group to pursue its stated strategy and to fund further acquisitions, on 21 August 2015, the Company raised £2.3 million (before fees) by way of an equity placing 3,066,667 new Ordinary Shares at a price of 75 pence per Ordinary Share. A further 12,610,055 new Ordinary Shares were issued on this date as a result of the reverse acquisition of 365 Agile Limited and in settlement of fees due to a former adviser of the Company.

On 23 November 2015, 2,231,708 new Ordinary Shares were issued as consideration for the acquisition of Easytherm Limited at a price of 82 pence per share. The share issue included £1,760,000 consideration and £70,000 in respect of loans settled.

On 31 July 2015 loans owed by 365 Agile Limited totalling £950,000 were converted into shares in that company. The £950,000 is reflected in the 2015 cash flow statement as 'borrowings received'.

### Warrants

During the prior year warrants over 5% of the Company's current and future issued share capital were issued to MXC Capital Guernsey Limited ('MXC'). At 31 December 2016, MXC held 945,703 share warrants in the Company. 50% of the warrants vest between one and three years from grant, the remaining 50% also vest between one and three years from grant if the shares achieve a compound growth rate of 12% per annum from the placing price of 75 pence at the point of exercise. The warrants must be exercised within seven years of grant.

The fair value of the warrants has been calculated by an external valuations expert using a two-tiered Black-Scholes option pricing model together with an empirical model, adjusted by a probability weighting to take the likely achievement of performance criteria into account.

The weighted average fair value of the warrants issued during the period determined by the option pricing model above was 8.56 pence per warrant. The significant inputs into the model were weighted average share price of 75.8 pence per share at the grant date, an exercise price of between 75 pence and 82 pence per share, volatility of 48.72%, probability of achieving performance targets of 15.44% and an expected warrant life of one to seven years. In accordance with IFRS 2, as the warrants have market performance conditions, their fair value is not restated to take account of the likelihood of the vesting conditions being achieved, despite the fall in the Company's share price.

The expense recognised for equity-settled share-based payments in respect of warrants issued during the year to 31 December 2016 was £48,000 (2015: £18,000).

## 22 Share-based payment plans

During the year ended 31 December 2016, the Group's share-based payments charge was as follows:

	2016 £000	2015 £000
Equity-settled share-based (credit)/charge arising from share plans for employees – discontinued operations	(47)	47
Equity-settled share-based charge arising from warrants – continuing operations	48	18
Total equity-settled share-based payments	1	65

During the current and prior year the Group operated a staff share scheme in the form of an Employee Share Scheme, ('ESS') and it also issued warrants in the prior year, giving rise to the share-based payment charge.

### Employee Share Scheme

During the year all staff who were members of the ESS scheme left the company. As a result, the vesting condition in respect of continuance of service will not be achieved. In accordance with IFRS 2, as this condition is a non-market condition, the share-based payments charge previously recognised in respect of the ESS scheme is reversed. Consequently, the credit recognised for equity-settled share-based payments in respect of employee services received during the year to 31 December 2016 was £47,000 (2015: £47,000 charge).

### Warrants

For further details see note 21.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2016

## 23 Net cash flows from continuing operating activities

	2016 £000	2015 £000
Loss on ordinary activities before taxation	(415)	(1,731)
Adjustments for:		
Net finance costs	18	2
Equity-settled share-based payment charge	48	18
Deemed cost of listing on reverse acquisition	–	940
Movements in working capital:		
Increase in trade and other receivables	5	222
Decrease in trade and other payables	(7)	(35)
Cash used in continuing operations	(351)	(584)

## 24 Pensions

The Group operated defined contribution pension schemes for eligible employees. The charge for the year ended 31 December 2016 relating to continuing operations is £nil (2015: £2,000). There were no amounts outstanding at 31 December 2016 or 2015 in respect of pension contributions.

## 25 Subsidiaries

At 31 December 2016, the Company had the following subsidiary undertakings.

	Principal activity	Country of incorporation	% Ordinary share capital owned
<b>Held by 365 Agile Group plc</b>			
365 Agile Limited	Non-trading	England and Wales	100%
Flightstore Inflight Retailing Limited*	Dormant	England and Wales	100%
FG Employee Trustee Company Limited*	Dormant	England and Wales	100%
<b>Held by 365 Agile Limited</b>			
South View Solutions Limited	Non-trading	England and Wales	100%
Wireless Things Limited (formerly Ciseco Limited)	Non-trading	England and Wales	100%
Easytherm Limited	Non-trading	England and Wales	100%

\*Dissolved 3 January 2017

## 26 Subsequent events

As detailed in the Chairman's Statement, the Company is now a 'cash shell' under AIM rule 15. Consequently, on 27 February 2017, the Company's shares were suspended from trading on AIM. It has until 25 August 2017 to complete an acquisition, raise sufficient capital to become classed as an investing company or to re-register as a private company.

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## Notes to the Consolidated Financial Statements

Year ended 31 December 2016

### 27 Related parties

The Group has taken advantage of the exemption allowing it not to disclose transactions with entities wholly-owned by the Group.

Key management is considered to comprise only the directors. Key management remuneration paid during the year (including employer's national insurance) was £218,000 (2015: £156,000).

Jill Collighan and Anthony Weaver are directors of certain companies within the MXC Capital Limited group ("MXC"). MXC is also a significant shareholder in the Company. During the year, the Group paid MXC for consultancy services and corporate finance advice amounting to £104,000 (2015: £324,000). At 31 December 2016 £290,000 (2015: £165,000) was owed to MXC by the Group. In addition the Company has issued warrants to MXC as detailed in note 21. On 18 November 2016, the Company entered into a £275,000 loan facility with MXC. The loan is unsecured and has a one year term with interest payable at rate of 10.0% per annum.

Jonathan Holyhead, a majority shareholder and former director of 365 Agile was formerly a majority shareholder and director of Documotive Limited. Davinder Sanghera, a significant shareholder in Company, was, until January 2017, a director of Castleton Technology plc ('Castleton') which acquired 100% of the issued share capital in Documotive Limited on 18 November 2014. MXC is also the largest shareholder in Castleton.

On 18 November 2014, the Group entered into a reseller agreement with Documotive Limited (subsequently transferred to Castleton) whereby Documotive Limited was granted an exclusive non-transferrable licence to market and sell the Group's products to its existing client base and, by mutual agreement, to certain clients in the sector for a period of three years. On 1 April 2016 the Company entered into a new licence agreement with a subsidiary of Castleton for the provision of the Company's software solutions to the social housing sector on an exclusive basis (the "Licence Agreement"). The Licence Agreement guarantees the Group minimum payments totalling at least £1.8 million over a 3-year period. In addition, certain staff transferred from the Group to Castleton.

During the year ended 31 December 2016, the Group recognised sales income, on an amortised cost basis, to Castleton of £1,891,000 (2015: £683,000). At 31 December 2016, the trade debtor balance outstanding from Castleton was £1,441,000 (2015: £265,000).



# Company Balance Sheet

As at 31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
<b>Fixed assets:</b>			
Investments in subsidiaries	3	500	9,497
<b>Current assets:</b>			
Debtors	4	927	2,838
Cash at bank and in hand		44	674
<b>Current assets</b>		<b>971</b>	<b>3,512</b>
<b>Creditors: Amounts falling due within 1 year</b>	5	<b>(491)</b>	<b>(541)</b>
<b>Net current assets</b>		<b>480</b>	<b>2,971</b>
<b>Total assets less current liabilities, being net assets</b>		<b>980</b>	<b>12,468</b>
<b>Capital and reserves:</b>			
Called up share capital	8	5,674	5,674
Share premium account		14,036	14,036
Merger relief reserve		–	2,310
Capital redemption reserve		4,426	4,426
Equity reserve		66	65
Profit and loss account		(23,222)	(14,043)
<b>Total shareholders' funds</b>		<b>980</b>	<b>12,468</b>

The Company incurred a loss in the year of £11,489,000 (2015: £776,000).

The notes on pages 41-45 are an integral part of these financial statements. The financial statements set out on pages 39-45 were approved by the Board of Directors and authorised for issue on 27 April 2017 and are signed on its behalf by


  
**C Carver**                      **A C Weaver**  
 Director                          Director

Company number: 4958332

# Company Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital £000	Share premium account £000	Merger relief reserve £000	Capital redemption reserve £000	Equity reserve £000	Profit and loss account £000	Total equity £000
<b>At 1 January 2015</b>	3,734	7,441	1,150	994	–	(13,267)	52
Loss for the year and total comprehensive income	–	–	–	–	–	(776)	(776)
<b>Transactions with owners:</b>							
Share-based payments – staff share scheme	–	–	–	–	47	–	47
Share-based payments – warrants issued	–	–	–	–	18	–	18
Shares cancelled	(3,432)	–	–	3,432	–	–	–
Shares issued – reverse acquisition	3,780	5,670	–	–	–	–	9,450
Shares issued – placing	920	1,380	–	–	–	–	2,300
Shares issued – to acquire subsidiary company	670	–	1,160	–	–	–	1,830
Shares issued – to former adviser	2	5	–	–	–	–	7
Cost of share issues	–	(460)	–	–	–	–	(460)
	1,940	6,595	1,160	3,432	65	–	13,192
<b>At 31 December 2015</b>	5,674	14,036	2,310	4,426	65	(14,043)	12,468
Loss for the year and total comprehensive income	–	–	–	–	–	(11,489)	(11,489)
<b>Transactions with owners:</b>							
Share-based payments – staff share scheme	–	–	–	–	(47)	–	(47)
Share-based payments – warrants issued	–	–	–	–	48	–	48
Transfer between reserves on impairment of investment in subsidiaries	–	–	(2,310)	–	–	2,310	–
	–	–	(2,310)	–	1	2,310	1
<b>At 31 December 2016</b>	<b>5,674</b>	<b>14,036</b>	<b>–</b>	<b>4,426</b>	<b>66</b>	<b>(23,222)</b>	<b>980</b>

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# Notes to the Company Financial Statements

## 1 Accounting policies (UK GAAP)

365 Agile Group plc has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to disclose the Company profit and loss account. The Company is a 'cash shell' under AIM rule 15.

The principal accounting policies, which have been applied consistently throughout the year in the preparation of the financial statements are:

### (a) Basis of accounting

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

### (b) Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£).

The financial statements of 365 Agile Group plc are drawn up to 31 December 2016 (2015: 31 December 2015).

The individual accounts of 365 Agile Group plc have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments,
  - exposure to and management of financial risks, and
  - share-based payments.

The directors have prepared detailed cash flow projections including sensitivity analysis on key assumptions. Based on the revised licence agreement with Castleton Technology plc, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the timing of key strategic events, show 365 Agile will be able to operate within the level and conditions of available funding. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

### (c) Investments in subsidiaries

Investments are initially recognised at cost. The carrying value of investments is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

### (d) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

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# Notes to the Company Financial Statements

## 1 Accounting policies (UK GAAP) continued

### (e) Share-based payments transactions

#### *Equity-settled share-based payment transactions*

The cost of equity-settled transactions with employees or suppliers is measured by reference to the fair value of the award at the date at which they are granted and is recognised as an expense in the subsidiary over the vesting period, which ends on the date at which the relevant employees or suppliers become fully entitled to the award. The fair value of the services received in exchange for the grant of equity-settled transactions in the Group is recognised as a capital contribution in the subsidiary. Fair value is determined by an external valuer using an appropriate pricing model for which the assumptions are approved by the directors. In valuing equity-settled transactions, only vesting conditions linked to the market price of the shares of the Company are considered.

No expense is recognised in the subsidiary for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement of the subsidiary, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised in the subsidiary over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement of the subsidiary.

### (f) Foreign currencies

The functional and presentation currency of 365 Agile Group plc is Pounds Sterling.

Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss.

### (g) Employees and directors' emoluments

The Company had no employees during the year. Where relevant, the directors' emoluments were paid by 365 Agile Limited. Their remuneration is disclosed in this annual report.

### (h) Equity financial instruments

Share warrants that are issued outside of the scope of Section 26 are measured at fair value at date of issue. They are classified as equity instruments based on the substance of the contractual arrangements entered into whereby a fixed amount of cash will be received for a fixed number of the Company's own equity instruments.

### (i) Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### (j) Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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# Notes to the Company Financial Statements

## 1 Accounting policies (UK GAAP) continued

### (k) Equity

Equity comprises the following:

#### *Called up share capital*

Called up share capital represents the nominal value of ordinary shares in issue.

#### *Share premium account*

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

#### *Capital redemption reserve*

The capital redemption reserve includes amounts transferred to this reserve when shares are purchased and cancelled immediately.

#### *Merger relief reserve*

Merger relief reserve represents the premium arising on shares issued as part or full consideration for acquisitions, where advantage has been taken of the provisions of section 612 of the Companies Act 2006.

#### *Equity reserve*

The equity reserve is a reserve to recognise those amounts in equity in respect of share-based payments as follows, as detailed in note 22 of the consolidated financial statements.

#### *Accumulated loss*

Accumulated loss represents losses incurred.

### (l) Critical accounting estimates and assumptions

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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

#### *Impairment of investments*

Following the discontinuation of trade in the Company's subsidiaries, the directors have carried out an impairment review of the Group's investments, based on their assessment of the recoverable amounts of the Group's cash generating units. This has resulted in an impairment loss in the year in respect of investments. See note 3 for further details.

#### *Going concern*

The ability of the Company to continue as a going concern is dependent on receipt by its subsidiary, 365 Agile Limited, of amounts due under the licence agreement with the Castleton Technology plc group.

The Group is owed £1.4 million by the Castleton Technology plc group at 31 December 2016 in respect of a licence agreement entered into between the two parties. In the opinion of the Board, based on both its assessment of Castleton Technology plc's ability to service this debt and on its payment history to date, no provision is required against this receivable. Further details of the licence agreement are given in note 27 of the consolidated financial statements.

#### *Estimated valuation of warrants*

Share warrants are valued based on the following definition of Fair Value per FRS 102 'Fair Value Measurement': 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. These calculations require the use of estimates of inputs such as share price volatility, performance criteria, dividend yield and warrant life. External experts have been engaged for valuation purposes where appropriate. See note 21 of the consolidated financial statements for further details.

## 2 Employee Benefits Expense

Other than executive directors, who are remunerated by another Group company, the Company had no employees during either the current or prior period.

## Notes to the Company Financial Statements

### 3 Investments in subsidiaries

	Investments in subsidiaries £000
<b>Cost</b>	
At 1 January 2016	9,497
Reversal of share-based payment charge	(47)
Additions	63
<b>At 31 December 2016</b>	<b>9,513</b>
<b>Impairment charges</b>	
At 1 January 2016	–
Charge in year	9,013
<b>At 31 December 2016</b>	<b>9,013</b>
<b>Carrying value</b>	
<b>At 31 December 2016</b>	<b>500</b>
At 31 December 2015	9,497

The directors annually review the carrying amount of the Company's investments for impairment. Following this review, the directors believe that carrying value of the investments is supported by their underlying net assets and cash flows.

### 4 Debtors

	2016 £000	2015 £000
Amounts due from subsidiary undertakings	918	2,823
Other debtors	9	15
	<b>927</b>	<b>2,838</b>

### 5 Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Loans	278	–
Convertible loan notes	–	321
Trade creditors	170	123
Accruals	43	97
	<b>491</b>	<b>541</b>

The loan is repayable in November 2017 and accrues an interest rate of 10.0% per annum.

### 6 Share-based payment plans

See note 22 in the consolidated financial statements.

### 7 Auditors' remuneration

The Company audit fee is £20,000 (2015: £20,000).

# Notes to the Company Financial Statements

## 8 Called up share capital

	2016 Number	2015 Number	2016 £000	2015 £000
<b>Allotted, called up and fully paid share capital</b>				
Ordinary shares of 30p (2014: 0.003p, 2013: 25p))				
1 January	18,914,073	10,056,423,466	5,674	302
Share consolidation	-	(10,055,417,823)	-	-
Share issues	-	17,908,430	-	5,372
31 December	18,914,073	18,914,073	5,674	5,674
<b>Allotted, called up and fully paid share capital</b>				
Deferred shares of 0.247p				
1 January	-	1,389,756,800	-	3,432
Shares repurchased and cancelled	-	(1,389,756,800)	-	(3,432)
31 December	-	-	-	-
Total issued share capital	18,914,073	18,914,073	5,674	5,674

Each Ordinary share has the same right to receive dividends and the repayment of capital and represents one vote at shareholders' meetings of 365 Agile Group plc.

### Share issue

During the year the following shares were issued:

	2016 Number	2015 Number
Placing with investors	-	3,066,667
Shares issued as consideration for fees	-	10,056
Shares issued as consideration for acquisition of 365 Agile Limited	-	12,599,999
Shares issued as consideration for acquisition of Easytherm Limited	-	2,231,708
	-	17,908,430

### Warrants

During the prior year warrants over 5% of the Company's current and future issued share capital were issued to MXC Capital Guernsey Limited ('MXC'). At 31 December 2016 MXC held 945,703 share warrants in the Company. For further details see note 21 in the consolidated financial statements.

## 9 Control

In the opinion of the directors, there is no single controlling party.

## 10 Related party transactions

The Company has taken the exemption not to disclose transactions with entities that are wholly owned subsidiaries of the 365 Agile Group plc group.

Jill Collighan and Anthony Weaver are directors of certain companies within the MXC Capital Limited group ("MXC"). MXC is also a shareholder in the Company.

During the year, the Company paid MXC for consultancy services and corporate finance advice amounting to £79,000 (2015: £262,000). At 31 December 2016 £150,000 (2015: £55,000) was owed to MXC by the Company. In addition the Company has issued warrants to MXC as detailed in note 8. On 18 November 2016, the Company entered into a £275,000 loan facility with MXC. The loan is unsecured and has a one year term with interest payable at rate of 10.0% per annum.

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