

FreeAgent Central Limited

Report and Financial Statements

Year Ended

31 March 2016

Company Number SC316774



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Directors' Report

The directors present the annual report and financial statements of the group for the year ended 31 March 2016.

Principal activities

The principal activity of the group in the period under review was that of accounting software development.

Business review

FreeAgent has enjoyed another year of significant growth, including further considerable progress with accountancy practices across the UK. Annualised committed monthly recurring revenue grew by 35% to £7.0 million (Mar 16 vs Mar 15) and the team grew by 35% to reach 100 employees at year-end. Committed revenue is sales to accountancy practices which is not recognised but is committed under contract.

The take-up of cloud accounting by both accountants and business owners is rising fast, and the UK government's 'Making Tax Digital' agenda looks set to accelerate this further in the coming years.

To ensure we are able to take best advantage of this opportunity, we continue to make substantial investments in both customer acquisition and product development.

Going concern

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

We completed a \$5m refinancing in February 2015 and this facility will allow the group to continue to grow subscriber numbers and revenue for the foreseeable future and through to profitability.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 1 to the financial statements.

Financial risk management

Financial risk management is discussed in note 4.

Strategic report exemption

The group is exempt from the preparation of a Strategic report.

Results and dividends

The loss for the year ended 31 March 2016 of £1,273k (2015: £1,017k) has been deducted from reserves. The directors are unable to recommend the payment of a dividend.

Post balance sheet events

There are no events subsequent to the year end reporting date requiring disclosure.

Directors

The directors who served during the period and to the date of this report were as follows:

E Molyneux
O Headey
R Lavery
C Janz
F Coorevits

Disclosure of information to the auditor

Each of the persons who are directors of the group at the date of approval of this report confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the group's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

Independent auditor

BDO LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



Roan Lavery
Director

22 July 2016

One Edinburgh Quay
133 Fountainbridge
Edinburgh
EH3 9QG

Directors' responsibilities

The directors are responsible for preparing 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 elected to prepare the group and company financial statements in accordance International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent Auditor's Report to the Members of FreeAgent Central Limited

We have audited the financial statements of FreeAgent Central Limited for the year ended 31 March 2016 which comprise the consolidated and company statement of profit and loss and other comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of cash flows, the consolidated and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC's website at 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 the parent company's affairs as at 31 March 2016 and of the group's and parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

See W

Alastair Rae (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh
United Kingdom

22 July 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated and company statement of profit and loss and other comprehensive income
For the year ended 31 March 2016

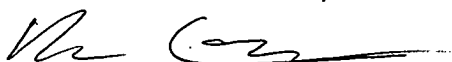
	Notes	2016 £'000	2015 £'000
Revenue	5	5,679	4,183
Cost of sales		(925)	(814)
Gross profit		4,754	3,369
Administrative expenses		(5,783)	(4,145)
Loss from operations	6	(1,029)	(776)
Finance expense	7	(294)	(458)
Loss before tax		(1,323)	(1,234)
Tax credit	9	50	217
Loss for the year		(1,273)	(1,017)
Other comprehensive income:			
		2016 £'000	2015 £'000
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		1	6
Total other comprehensive income		1	6
Total comprehensive loss for the year attributable to shareholders of the parent		(1,272)	(1,011)
Loss per share attributable to the ordinary equity holders of the company			
		2016 pence	2015 pence
Basic and diluted loss per share	10	(43)	(2,132)

The notes on pages 12 to 36 form part of these financial statements.

Consolidated and company statement of financial position
As at 31 March 2016

	Notes	2016 £'000	2015 £'000	2014 £'000
Assets				
Non-current assets				
Property, plant and equipment	11	710	78	177
Intangible assets	12	1,903	1,535	1,298
		<u>2,613</u>	<u>1,613</u>	<u>1,475</u>
Current assets				
Trade and other receivables	14	604	198	214
Corporation tax receivable		49	196	120
Cash and cash equivalents		1,819	1,153	1,435
		<u>2,472</u>	<u>1,547</u>	<u>1,769</u>
Total Assets		5,085	3,160	3,244
Liabilities				
Non current liabilities				
Bank borrowings	16	2,059	1,161	416
Long term provisions	17	100	-	-
Convertible loan notes	16	-	725	725
		<u>2,159</u>	<u>1,886</u>	<u>1,141</u>
Current liabilities				
Trade and other payables	15	2,079	1,295	1,093
Provisions	17	39	-	-
Bank borrowings	16	414	-	241
		<u>2,532</u>	<u>1,295</u>	<u>1,334</u>
Total liabilities		4,691	3,181	2,475
NET ASSETS / (LIABILITIES)		394	(21)	769
Issued capital and reserves attributable to owners of the parent				
Share capital	19	1	-	-
Share premium		6,189	4,503	4,503
Share based payment reserve		656	656	435
Foreign exchange reserve		(10)	(11)	(17)
Retained earnings		(6,442)	(5,169)	(4,152)
TOTAL EQUITY		394	(21)	769

The financial statement were authorised for issue by the Board of Directors on 22 July 2016 and were signed on its behalf by:



Roan Lavery

Company Number SC316774

The notes on pages 12 to 36 form part of these financial statements.

Consolidated and company statement of cash flows
As at 31 March 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Loss for the year		(1,273)	(1,017)
Adjustments for:			
Depreciation of property, plant and equipment	11	189	126
Amortisation of intangible fixed assets	12	601	470
Gain on disposal of property, plant and equipment		1	1
Share based payment expense	20	-	12
Finance costs		294	458
Income tax credit		(50)	(217)
		<u>(238)</u>	<u>(167)</u>
(Increase) / decrease in trade and other receivables	14	(406)	16
Increase in trade and other payables		518	211
Increase in provisions	17	139	-
		<u>13</u>	<u>60</u>
Cash from operations			
Income tax received		195	141
		<u>208</u>	<u>201</u>
Net cash flows from operating activities			
		208	201
Investing activities			
Purchase of property, plant and equipment		(559)	(28)
Proceeds from disposal of property, plant and equipment		11	2
Development of intangibles	12	(969)	(707)
		<u>(1,517)</u>	<u>(733)</u>
Net cash used in investing activities			
		(1,517)	(733)
Financing activities			
Issue of ordinary shares, net of issue costs	19	962	-
Drawdown of debt		1,292	579
Finance costs		(279)	(329)
		<u>1,975</u>	<u>250</u>
Net cash from financing activities			
		1,975	250
Net increase / (decrease) in cash and cash equivalents		666	(282)
Cash and cash equivalents at beginning of year		1,153	1,435
		<u>1,819</u>	<u>1,153</u>
Cash and cash equivalents at end of year	4		
		1,819	1,153

The notes on pages 12 to 36 form part of these financial statements.

**Consolidated and company statement of changes in equity
For the year ended 31 March 2016**

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
1 April 2014	-	4,503	435	(17)	(4,152)	769
Loss for the year	-	-	-	-	(1,017)	(1,017)
Translation of foreign subsidiary	-	-	-	6	-	6
Total comprehensive income for the year	-	-	-	6	(1,017)	(1,011)
Share based payment charge	-	-	12	-	-	12
Issue of warrants	-	-	209	-	-	209
Issue of share capital	-	-	-	-	-	-
31 March 2015	-	4,503	656	(11)	(5,169)	(21)
Loss for the year	-	-	-	-	(1,273)	(1,273)
Translation of foreign subsidiary	-	-	-	1	-	1
Total comprehensive income for the year	-	-	-	1	(1,273)	(1,272)
Share based payment charge	-	-	-	-	-	-
Conversion of loan notes	-	725	-	-	-	725
Issue of share capital	1	1,014	-	-	-	1,015
Issue costs	-	(53)	-	-	-	(53)
31 March 2016	1	6,189	656	(10)	(6,442)	394

The following describes the nature and purpose of each reserve within equity.

Reserve	Description and purpose
Share capital	Nominal value of issued shares
Share premium	Amount subscribed for share capital in excess of nominal value.
Share based payment reserve	The share based payment reserve represents equity settled share based employee remuneration until such share options are exercised.
Foreign exchange reserve	The difference arising on the translation of the assets and liabilities of the overseas subsidiary company into the functional currency of the Group.
Retained earnings	All other net gains and losses not recognised elsewhere.

The notes on pages 12 to 36 form part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2016

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in this note. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 March 2016, and 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 and are presented in Sterling rounded to the nearest thousand except where indicated otherwise. These financial statements for the year ended 31 March 2016 are the first the Group has prepared in accordance with IFRS. Refer to note 2 for information on how the Group adopted IFRS.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Standards or interpretations issued but not yet effective and relevant to the Group

The International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective and which may have an impact on the Group's financial statements. These are detailed below. The impact of these changes cannot be quantified at present. The Group has not applied these in preparing these financial statements and will apply each standard in the period in which it becomes mandatory:

IFRS 9 – Financial Instruments – Classification and Measurement: This standard addresses the classification, measurement and de-recognition of financial assets, financial liabilities, impairment of financial assets and hedge accounting, and will be effective for the year ended 31 March 2019.

IFRS 15 – Revenue from Contracts with Customers: This standard establishes the framework for revenue recognition, and will be effective for the year ended 31 March 2019.

IFRS 16 – Leases: This standard requires a lessee to recognise a lease liability reflecting the future lease payments and a 'right-of-use asset' for substantively all lease contracts, and will be effective for the year ended 31 March 2020.

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Going concern

The financial statements have been prepared on a going concern basis.

The Board has undertaken a recent and thorough review of the group's forecasts and the associated risks. These forecasts extend for a period of more than 12 months from the date of approval of these financial statements. After applying reasonable downside scenarios to the key assumptions underpinning the group's forecasts, the directors have formed a judgement at the time of approving the financial statements that the company has sufficient resources to continue in operational existence for the foreseeable future.

Revenue

Revenue in relation to online software subscriptions is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recorded net of VAT and discounts. Revenue is recognised in the accounting period in which the service is rendered. Annual subscriptions are recognised on a straight line basis over the length of the subscription. Consideration received prior to the service being rendered is recognised in the Statement of Financial Position as deferred income.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at the following annual rates in order to write off each asset to residual value over its estimated useful life:

Computer equipment	- 33.3% on a straight line basis
Fixtures and fittings	- 20% on a straight line basis

The Directors assess the property, plant and equipment for impairment on an ongoing basis. All of the assets are located in the office in Edinburgh where the three executive directors are based. Any asset that is impaired is identified by staff members and the Chief Technical Officer is informed.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to the profit or loss.

The results of overseas subsidiaries are translated at the rate ruling at the date of the transaction and their balance sheets at the rates ruling at the reporting date. Exchange differences arising on translation of the opening net assets and results of overseas subsidiaries and on foreign currency borrowings, to the extent that they hedge the company's investment in such subsidiaries, are reported in other comprehensive income.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the statement profit and loss and other comprehensive income on a straight line basis over the period of the lease.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the period are charged to the statement of profit and loss and other comprehensive income.

Financial assets

The Group classifies its financial assets as loans and receivables. The Group has not classified any of its financial assets as fair value through the profit or loss or as held to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being

recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Convertible loan notes

The convertible loan notes issued by the company are classified as financial liabilities in accordance with the substance of the contractual arrangement.

There are no issue costs or finance costs associated with the loan notes.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Warrants

Warrants are considered as share based payments and as such are accounted for in accordance with IFRS 2. The fair value of issued warrants is credited to the share based payment reserve at the time of issue of the warrants. Upon the exercise of warrants, the fair value held in the share based payment reserve is transferred to the share premium reserve.

Internally generated intangible assets (development costs)

Expenditure on internally developed software is capitalised only when it can be demonstrated that:

- it is technically feasible to develop the software for it or its use to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the software or its use
- the Group is able to sell the software or its use
- sale of the software or its use will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the software developed or its use. The amortisation rate used is 20%. The amortisation expense is included within the administrative expenses in the consolidated statement of profit and

loss and other comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of profit and loss and comprehensive income as incurred.

The Directors review the development costs on an annual basis for impairment. They do this by considering the product roadmap and reviewing the plans for improvement or replacement of existing features in the application.

Intangible assets (domain name)

The domain name is stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided at the following annual rate in order to write off the asset to zero over its estimated useful life:

Domain name	- 5% on a straight line basis
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The Directors assess the domain name for impairment on a monthly basis by reviewing and reporting on monthly visits to the website.

2. First-time adoption of IFRS

For all periods up to and including year ended 31 March 2015, the Group prepared its financial statements in accordance with local generally accepted accounting practice (Local GAAP). These financial statements for the year ended 31 March 2016 are the first the Group has prepared in accordance with IFRS. Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 March 2016, together with the comparative period data as at 31 March 2015, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared at 1 April 2014, the Group's date of transition to IFRS.

The adjustments required for the first time adoption of IFRS are set out below under the headings A, B, C, D and E.

The estimates at 1 April 2014 and at 31 March 2015 are consistent with those made for the same dates in accordance with Local GAAP apart from Share-based payment transactions, warrants and capitalisation of development costs which did not require estimation under UK GAAP. The estimates used by the Group to present this amount in accordance with IFRS reflect conditions at 1 April 2014, the date of transition and as of 31 March 2015.

Reconciliation of Consolidated and Company equity as at 1 April 2014

	Notes	Local GAAP £'000	Remeasurements £'000	IFRS £'000
Assets				
Non-current assets				
Property, plant and equipment		177	-	177
Intangible assets	A	26	1,272	1,298
		203	1,272	1,475
Current assets				
Trade and other receivables		214	-	214
Corporation tax receivable		120	-	120
Cash and cash equivalents		1,435	-	1,435
		1,769	-	1,769
Total Assets		1,972	1,250	3,244
Liabilities				
Non current liabilities				
Bank borrowings	D	528	(112)	416
Convertible loan notes		725	-	725
		1,253	(112)	1,141
Current liabilities				
Trade and other payables	B	1,060	33	1,093
Bank borrowings		241	-	241
		1,301	33	1,334
Total liabilities		2,554	(79)	2,475
NET ASSETS / (LIABILITIES)		(582)	1,351	769
Issued capital and reserves attributable to owners of the parent				
Share capital		-	-	-
Share premium		4,503	-	4,503
Share based payment reserve	C, D	-	435	435
Foreign exchange reserve	E	-	(17)	(17)
Retained earnings		(5,085)	933	(4,152)
TOTAL EQUITY		(582)	1,351	769

Reconciliation of Consolidated and Company equity as at 31 March 2015

	Notes	Local GAAP £'000	Remeasurements £'000	IFRS £'000
Assets				
Non-current assets				
Property, plant and equipment		78	-	78
Intangible assets	A	24	1,511	1,535
		102	1,511	1,613
Current assets				
Trade and other receivables		198	-	198
Corporation tax receivable		196	-	196
Cash and cash equivalents		1,153	-	1,153
		1,547	-	1,547
Total Assets		1,649	1,511	3,160
Liabilities				
Non current liabilities				
Bank borrowings	D	1,348	(187)	1,161
Convertible loan notes		725	-	725
		2,073	(187)	1,886
Current liabilities				
Trade and other payables	B	1,263	32	1,295
Bank borrowings		-	-	-
		1,263	32	1,295
Total liabilities		3,336	(155)	3,181
NET ASSETS / (LIABILITIES)		(1,687)	1,666	(21)
Issued capital and reserves attributable to owners of the parent				
Share capital		-	-	-
Share premium		4,503	-	4,503
Share based payment reserve	C,D	-	656	656
Foreign exchange reserve	E	-	(11)	(11)
Retained earnings		(6,190)	1,021	(5,169)
TOTAL EQUITY		(1,687)	1,666	(21)

Group reconciliation of profit and loss and other comprehensive income for the year ended 31 March 2015

	Notes	Local GAAP £'000	Remeasurements £'000	IFRS £'000
Revenue		4,183	-	4,183
Cost of sales		(814)	-	(814)
Gross profit		3,369	-	3,369
Administrative expenses	A,B,C D,E	(4,364)	219	(4,145)
Loss from operations		(995)	219	(776)
Finance expense		(325)	(133)	(458)
Loss before tax		(1,320)	86	(1,234)
Tax credit		217	-	217
Loss for the year		(1,103)	86	(1,017)

Other comprehensive income:

		Local GAAP £'000	Remeasurements £'000	IFRS £'000
Items that will be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	E	-	6	6
Total other comprehensive income		-	6	6
Total comprehensive loss for the year attributable to shareholders of the parent		(1,103)	92	(1,011)

Notes to the reconciliation of equity as at 1 April 2014 and 31 March 2015 and profit and loss and other comprehensive income for the year ended 31 March 2015

A Capitalisation of development costs

Under Local GAAP, the Group expensed all investment in developing our software. As software development costs must be capitalised under IFRS, these have been capitalised with the corresponding adjustment recognised in retained earnings. Expenditure totaling £707k has been capitalised for the year ended 31 March 2015. Amortisation costs of £468k have been recognised in the statement of profit and loss and comprehensive income for the year ended 31 March 2015. Development costs totaling £2,019k which were recognised in retained earnings prior to 1 April 2014 have been included in the statement of financial position. Amortisation costs of £747k which were

recognised in retained earnings prior to 1 April 2014 have been included in the statement of financial position.

The group has reclassified the domain name from property, plant and equipment in 2015 to intangible assets in 2016. The net book value of the domain name at the time of transfer was £24k.

B Holiday pay

Under Local GAAP, the Group did not make an accrual for untaken holidays at the year end. Under IFRS, untaken holidays must be accrued and therefore a holiday pay accrual has been recognised with the corresponding adjustment in the statement of profit and loss and other comprehensive income. An accrual of £33k has been recognised at the year ended 31 March 2015 and 31 March 2014.

C Share-based payments

Under Local GAAP, the Group did not recognize an expense for the share option plan. IFRS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting period. An expense of £12k has been recognised in the statement of profit and loss and comprehensive income for the year ended 31 March 2015. Share options totaling £299k, which were granted before 1 April 2014 have been recognised as a separate component of equity against retained earnings at 1 April 2014.

D Warrants

Under Local GAAP, the Group did not recognise an expense for the issue of warrants. IFRS requires the fair value of the warrants to be determined using an appropriate pricing model recognised over the life of the warrants. Warrants valued at £124k were issued prior to 1 April 2014. Warrants valued at £208k were issued in the year ended 31 March 2015. Prior to 1 April 2014, an expense of £12k had been recognised in retained earnings in respect of the warrants. In the year to 31 March 2015, an expense of £133k has been recognised in retained earnings.

E Foreign Currency Translation

Under Local GAAP, the Group recognised translation differences on foreign operations in retained earnings. IFRS requires translation differences on foreign operations to be recognised as a separate component of equity. A gain of £6k has been transferred from retained earnings to the foreign exchange reserve for the year ended 31 March 2015. Exchange losses totaling £17k which were recognised in retained earnings prior to 1 April 2014 have been recognised in the foreign exchange reserve.

3. Significant accounting judgments and estimates

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments

Share options are recognised as an expense based on the fair value at date of grant. The fair value of the options is estimated through the use of a valuation model – which requires inputs such as the risk-free interest rate, expected dividends, expected volatility and expected option life – and is expensed over the vesting period. Some of the inputs used to calculate the fair value are market observable and are based on estimates derived from available data, such as employee exercise behavior and employee turnover.

Warrants

The fair value of warrants is estimated through the use of a valuation model – which requires inputs such as the risk-free interest rate, expected dividends, expected volatility and expected option life. Some of the inputs used to calculate the fair value are market observable and are based on estimates derived from available data, such as employee exercise behavior and employee turnover.

Capitalisation of development costs

It is a requirement under IFRS that development costs that meet the criteria prescribed in the standard are capitalised. The assessment of each project requires that a judgement is made as to the commercial viability and the ability of the Group to bring the software to market.

Dilapidations provision

A provision has been recognised for the reinstatement of our leasehold property to the condition the property was in at the time the lease commenced. This provision requires a judgement to be made as to the likely dilapidations over the life of the lease

4. Financial instruments – Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which the financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank borrowings

A summary of the financial instruments held by category is provided below.

Financial assets

	2016 £'000	2015 £'000
Current		
Trade receivables	240	106
Other receivables	364	92
Loans and receivables	<u>604</u>	<u>198</u>
Cash and cash equivalents	1,819	1,153
Total financial assets	<u>2,423</u>	<u>1,351</u>

All financial assets held by the Group at 31 March 2016 are classified as loans and receivables and there is no difference between the carrying amount and the fair value.

As at 31 March 2016, the largest customer owed £111k. The directors do not consider that there is any reason to provide against any part of this balance.

Financial liabilities

	2016 £'000	2015 £'000
Current		
Trade payables	337	128
Other payables	674	176
Bank borrowings	414	-
Current financial liabilities	<u>1,425</u>	<u>304</u>
Non-current		
Bank borrowings	2,059	1,161
Convertible loan notes	-	725
	<u>2,059</u>	<u>1,886</u>
Total financial liabilities	<u>3,484</u>	<u>2,190</u>

All financial liabilities held by the Group at 31 March 2016 are classified as held at amortised cost.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 March 2016	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	1,011	-	-	-	-
Loans and borrowings	99	315	833	1,226	-
Total	1,110	315	833	1,226	-

At 31 March 2015	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	304	-	-	-	-
Loans and borrowings	-	-	402	759	-
Convertible loan notes	-	-	725	-	-
Total	304	-	1,127	759	-

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's Chief Executive Officer.

The overall objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum "A" rating are accepted.

Further disclosures regarding trade and other receivables are provided in note 14.

Cash at bank and borrowings

All of Group Cash is held with Barclays Bank Plc. The Group has an overdraft facility of £10,000. The Group has a loan facility with Saas Capital LLC. This facility is secured over the assets of FreeAgent Central Limited.

Foreign exchange risk

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than the functional currency. The Group has a foreign currency bank loan, denominated in USD. This is held in a USD bank account with Barclays Bank plc and exchanged into GBP as needed. The Directors monitor fluctuations in exchange rates on an ongoing basis and have assessed that the risk from movements in foreign exchange rates at this time is not sufficient to enter into any derivative instruments to manage the risk. This is reviewed on an annual basis by the Directors.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. The Group manages the risk that it will encounter difficulty in meeting its financial obligations as they fall due by forecasting its short term cash position on a regular basis.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet all liabilities with a cash buffer sufficient to meet the monthly payroll.

The Board receives rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

In the management of liquidity risk, the Group monitors and tries to maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Capital management

Capital includes Share capital and equity attributable to the equity holders of the Group. In order to manage capital, the Group issues new shares.

5. Revenue

All of the revenue is generated in the UK from the sale or use of our online accounting software. There is considered to be only one segment and therefore the financial statements present entity-wide information. The Group does not have any major customers or suppliers.

6. Loss from operations

Loss from operations is stated after taking account of the following items:

	2016	2015
	£'000	£'000
Employee benefits	3,297	2,882
Depreciation of property, plant and equipment	189	126
Amortisation of intangibles	601	470
Operating lease expense	182	87
Research and development costs expensed	529	604
Share based payment expense	-	12
Warrant expense	21	133
Foreign exchange loss	72	40
Fees payable to the company's auditor for the audit of the Group financial statements	15	10
Fees payable to the company's auditor for other services:		
Tax services - compliance	-	5
	<u> </u>	<u> </u>

7. Finance expense

	2016	2015
	£'000	£'000
Warrant expense	21	133
Interest payable on bank borrowings	273	325
	<u> </u>	<u> </u>
	<u>294</u>	<u>458</u>

8. Employee benefit expenses

	2016	2015
	£'000	£'000
Staff costs (including Directors) comprise:		
Wages and salaries	3,744	3,102
Social security contributions and similar taxes	417	335
Defined contribution pension costs	73	26
Capitalised development costs	(937)	(581)
	<u> </u>	<u> </u>
	<u>3,297</u>	<u>2,882</u>

The charge related to share based payments in 2016 was £nil (2015: £12k).

Key management personnel compensation

	2016	2015
	£'000	£'000
Salary, Director fees, benefit in kind	622	586
Social security contributions and similar taxes	79	74
Defined contribution pension costs	15	5
	<u>716</u>	<u>665</u>

Directors' compensation

	2016	2015
	£'000	£'000
Salary, Director fees, benefit in kind	311	286
Social security contributions and similar taxes	39	36
Defined contribution pension costs	7	-
	<u>357</u>	<u>322</u>

Staff numbers

The average monthly number of persons employed, including Directors and individuals employed by the Group are as follows:

	2016	2015
	No.	No.
Sales and Marketing	28	17
Product and Engineering	31	29
Support	13	10
Administration	3	1
Management (including Directors)	8	8
	<u>83</u>	<u>65</u>

9. Income tax credit

	2016 £'000	2015 £'000
Current tax credit		
Current tax on loss for the year	(49)	(197)
Adjustment to tax in respect of previous periods	(1)	(20)
Total tax credit	(50)	(217)

The reason for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2016 £'000	2015 £'000
Loss for the year	(1,308)	(1,227)
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 20% (2015: 20%)	(262)	(245)
Expenses not deductible for tax purposes	21	17
Share based payments		2
Amounts not recognised	240	105
Adjustment to tax in respect of prior periods	(1)	(20)
Chargeable gain	66	-
R&D tax relief	(114)	(76)
Total tax credit	(50)	(217)

10. Loss per share

	2016 £'000	2015 £'000
Numerator		
Loss for the year and loss used in basic and diluted EPS	1,272	1,011
Denominator		
Weighted average number of shares used in basic and diluted EPS	2,978,128	47,428
Loss per share – basic and diluted (pence)	43	2,132

There are currently 101,340 (2015: 112,560) share options and 44,933 (2015: 44,933) warrants in issue (note 20). In accordance with IAS 33 where there is a loss for the year, there is no dilutive effect of options and warrants.

11. Property, plant and equipment

	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
Balance at 1 April 2015	226	224	450
Additions	163	668	831
Disposals	(11)	(1)	(12)
Balance at 31 March 2016	378	891	1,269
Accumulated Depreciation and impairments			
Balance at 1 April 2015	190	182	372
Depreciation charge for the year	52	137	189
Disposals	(1)	(1)	(2)
Balance at 31 March 2016	241	318	559
Net Book value			
At 31 March 2016	137	573	710
At 31 March 2015	36	42	78

	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
Balance at 1 April 2014	205	219	424
Additions	21	7	28
Disposals	-	(2)	(2)
Balance at 31 March 2015	226	224	450
Accumulated Depreciation and impairments			
Balance at 1 April 2014	135	112	247
Depreciation charge for the year	55	71	126
Disposals	-	(1)	(1)
Balance at 31 March 2015	190	182	372
Net Book value			
At 31 March 2015	36	42	78
At 31 March 2014	70	107	177

12. Intangible assets

Cost	Domain name £'000	Development costs £'000	Total £'000
Balance at 1 April 2015	32	2,726	2,758
Additions	-	969	969
Disposals	-	-	-
Balance at 31 March 2016	32	3,695	3,727
Amortisation and impairments			
Balance at 1 April 2015	8	1,215	1,223
Amortisation charge for the year	2	599	601
Disposals	-	-	-
Balance at 31 March 2016	10	1,814	1,824
Net Book value			
At 31 March 2016	22	1,881	1,903
At 31 March 2015	24	1,511	1,535

Cost	Domain name £'000	Development costs £'000	Total £'000
Balance at 1 April 2014	32	2,019	2,051
Additions	-	707	707
Disposals	-	-	-
Balance at 31 March 2015	32	2,726	2,758
Amortisation and impairments			
Balance at 1 April 2014	6	747	753
Amortisation charge for the year	2	468	470
Disposals	-	-	-
Balance at 31 March 2015	8	1,215	1,223
Net Book value			
At 31 March 2015	24	1,511	1,535
At 31 March 2014	26	1,272	1,298

Intangible assets relate to internally generated development of our software product and our domain name. Development costs are amortised over 5 years. Research and development costs that are not eligible for capitalisation have been expensed and are recognised in administrative expenses (note 6). The domain name is amortised over 20 years.

13. Investments in subsidiaries

The subsidiaries of FreeAgent Central Limited, all of which have been included in these consolidated financial statements, are as follows:

Name of subsidiary	Shareholding	Country of incorporation and principle place of business
FreeAgent Inc.	100%	USA

FreeAgent Inc. is not trading and has no net assets at 31 March 2016. Therefore, there is no material difference between the financial statements of the Group and Company.

14. Trade and other receivables

	2016	2015
	£'000	£'000
Trade receivables	240	106
Prepayments	218	90
Other receivables	146	2
	<u>604</u>	<u>198</u>

Invoices for services rendered are due immediately upon rendering of the invoice. Payment of the trade receivables balance is expected in due course. The ageing analysis of the trade receivables is as follows:

	2016	2015
	£'000	£'000
Up to 3 months	237	95
3 to 6 months	3	5
6 to 12 months	-	2
Over 12 months	-	4
	<u>240</u>	<u>106</u>

Invoices are payable on receipt and therefore all of the trade receivable balance is past due. As at 31 March 2016 trade receivables of £8k (2015: £nil) were considered bad or doubtful and are provided against. All of the receivables balance which is greater than 3 months old has either been provided against or has been received post year end.

15. Trade and other payables

	2016	2015
	£'000	£'000
Trade payables	337	128
Accrued expenses	638	165
Deferred income	657	656
Tax and social security payable	411	335
Other creditors	36	11
	<u>2,079</u>	<u>1,295</u>

16. Loans and borrowings

	2016	2015
	£'000	£'000
Non-current		
Bank loan - secured	2,059	1,161
Convertible loan notes	-	725
	<u>2,059</u>	<u>1,886</u>
Current		
Bank loan - secured	414	-
	<u>2,473</u>	<u>1,886</u>
Total loans and borrowings		

During the year the convertible loan notes were converted into ordinary shares.

The currency profile of the Group's loans and borrowings is as follows:

	2016	2015
	£'000	£'000
USD	<u>2,473</u>	<u>1,886</u>

The annual interest rate payable on the bank loan is 10.85%.

Bank borrowings

The bank loan is secured by a floating charge over the assets of the group. The group has undrawn committed, fixed rate borrowing facilities available at 31 March, as follows:

	2016	2015
	£'000	£'000
Expiry in more than 2 years	<u>834</u>	<u>2,022</u>

The group can access these facilities as monthly recurring revenue increases. The funds available under the facility at any point in time is 6 times the average monthly recurring revenue less 15% of deferred income.

17. Provisions

	Leasehold dilapidations £'000
At 1 April 2015	-
Decommissioning of fit out	100
Charged to profit or loss	39
Unwinding of discount	-
At 31 March 2016	139
Due within one year	39
Due after more than one year	100
	139

This provision relates to the estimated cost of returning leasehold properties to their original state at the end of the lease in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

18. Deferred tax

No deferred tax assets have been recognised due to uncertainties over their recovery in the foreseeable future.

The unrecognised deferred tax asset is made up of the following:

	2016 £'000	2015 £'000
Temporary timing differences	8	6
Unused taxed losses	675	432
Share based payments	119	145
Unamortised finance costs	24	29
	826	612

19. Share capital

Allocated, called up and fully paid

	2016 Number	2016 £'000	2015 Number	2015 £'000
<i>Ordinary shares of £0.000166667</i>				
At 1 April	1,272,060	-	21,201	-
Shares issued for cash during the year	101,535	-	-	-
Shares issued on conversion of loan notes	120,832	-	-	-
At 31 March	<u>1,392,892</u>	<u>1</u>	<u>21,201</u>	<u>-</u>
<i>Preference A shares of £0.000166667</i>				
At 1 April	706,500	-	11,775	-
Shares issued for cash during the year	-	-	-	-
Shares issued on conversion of loan notes	-	-	-	-
At 31 March	<u>706,500</u>	<u>-</u>	<u>11,775</u>	<u>-</u>
<i>Preference B shares of £0.000166667</i>				
At 1 April	867,120	-	14,452	-
Shares issued for cash during the year	-	-	-	-
Shares issued on conversion of loan notes	-	-	-	-
At 31 March	<u>867,120</u>	<u>-</u>	<u>14,452</u>	<u>-</u>

During the year the group completed a crowdfunding exercise. 101,535 Ordinary shares were issued. The total funds raised were £1,015k and the issue costs were £53k.

During the year, the group completed a share split across all share classes, issuing 60 new shares of the same class for every one share held.

The Ordinary, Preference A and Preference B shares rank pari passu in all material respects with the exception of the rights on winding up of the group. In the event of the group being wound up, the shareholders are paid in the priority of: (1) preference B; (2) preference A; and (3) ordinary shareholders.

20. Share based payment

EMI Options

The group operates an EMI share option plan for employees. The options are valid for 10 years from the date of grant. The options are exercisable under the following conditions:

- Change of Control of the group as defined by the plan rules
- Sale or Disposal of the group as defined in the plan rules
- Listing of the group
- Winding-up of the group

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2016 WAEP		2015 WAEP	
	Number	Price (pence)	Number	Price (pence)
Outstanding at the beginning of the year	112,560	355	119,040	356
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	11,220	355	6,480	356
Outstanding at the year end	101,340	340	112,560	355
Exercisable at the year end	101,340	340	112,560	355

The options outstanding at the year end are set out below:

			2016		2015	
Date of grant	Expiry date	Exercise price (p)	Share options	Remaining life	Share options	Remaining life
01/04/2011	31/03/2021	188.86	45,720	5 years	48,420	6 years
12/03/2012	11/03/2022	366.67	28,380	6 years	32,340	7 years
15/03/2013	14/03/2023	450.00	19,440	7 years	20,400	8 years
31/01/2014	30/01/2024	857.58	7,800	8 years	11,400	9 years

The group uses a Black Scholes model to estimate the cost of share options.

The following information is relevant in the determination of the fair value of options outstanding during the year. The assumptions inherent in the use of this model are as follows:

- The option life is the estimated average period over which the options will be exercised.
- There are no vesting conditions remaining which apply to the share options.
- No variables change during the life of the option (eg dividend yield remains zero).
- Volatility has been calculated over the 5 year period prior to the grant date by reference to the daily share price of comparable listed companies. The volatility rate used was 70%.
- Risk free interest rates of 3.7%, 2.3%, 1.9% and 2.9% have been used for each issue in chronological order.

There were no options granted during the current or prior year.

The total expense recognised during the year by the Group was £nil (2015: £12k).

The weighted average remaining life of the options outstanding at the end of the year was 6 years (2015: 7 years).

No options were exercised during the period (2015 – none).

Warrants

The group has issued warrants to debt providers as part of the finance cost of providing the loan facility. The warrants are exercisable at any time.

Details of the number of warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2016 WAEP		2015 WAEP	
	Number	Price (pence)	Number	Price (pence)
Outstanding at the beginning of the year	44,933	773	17,933	600
Granted during the year	-	-	27,000	888
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the year end	44,933	773	44,933	
Exercisable at the year end	44,933	773	44,933	773

The warrants outstanding at the year end are set out below:

Date of grant	Expiry date	Exercise price (p)	2016		2015	
			Warrants	Remaining life	Warrants	Remaining life
30/12/2013	29/12/2023	600	17,933	7 years	17,933	8 years
27/02/2015	26/02/2025	888	27,000	9 years	27,000	10 years

The group uses a Black Scholes model to estimate the cost of the warrants.

The following information is relevant in the determination of the fair value of warrants outstanding during the year. The assumptions inherent in the use of this model are as follows:

- The warrant life is the estimated average period over which the warrants will be exercised.
- There are no vesting conditions remaining which apply to the warrants.
- No variables change during the life of the warrant (eg dividend yield remains zero).
- Volatility has been calculated over the 5 year period prior to the grant date by reference to the daily share price of comparable listed companies. The volatility rate used was 70%.
- Risk free interest rates of 3.16% and 1.86% have been used for each issue in chronological order.

There were no warrants granted during the current or prior year.

The total expense recognised during the year by the Group was £21k (2015: £133k).

The weighted average remaining life of the warrants outstanding at the end of the year was 8 years (2015: 9 years).

No warrants were exercised during the period (2015 – none).

21. Leases

Operating leases - lessee

The total future value of minimum lease payments is due as follows:

	2016 £'000	2015 £'000
Not later than one year	180	18
Later than one year and not later than five years	980	-
Later than five years	-	-
	<u>1,160</u>	<u>18</u>

The group entered into a 10 year lease (with a break at year 5) in September 2015 for the premises at Edinburgh Quay.

22. Related party transactions

Trading transactions

During the year, group companies entered into the following transactions with related parties who are not members of the group.

IRIS Group Limited is a shareholder in the group.

	Provision of service	
	2016 £'000	2015 £'000
IRIS Group Limited	499	648

	Amounts owed by related parties	
	2016 £'000	2015 £'000
IRIS Group Limited	111	23

23. Events after the statement of financial position date

There are no material events to report after the statement of financial position date.

24. Capital commitments

At 31 March 2016 the group had no capital commitments (2015: £nil).

Company information

Country of incorporation

United Kingdom

Legal Form

Limited company

Directors

Frederic Coorevits

Olly Heady

Christoph Janz

Roan Lavery

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