

Admission Document

Placing and Admission to trading on AIM

Eagle Eye Solutions Group PLC



PANMURE GORDON & CO
INTEGRITY IN INVESTMENT BANKING SINCE 1876

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you should consult a person authorised under the FSMA who specialises in advising on the acquisition of shares and other securities. This document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules and has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued share capital of the Company. This document does not constitute an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA. Accordingly, this document does not constitute a prospectus under the Prospectus Rules published by the FCA and has not been approved by or filed with the FCA. The definitions used in this document are at pages 3 to 5.

The Company, whose registered office appears on page 2, and the Directors and Proposed Directors, whose names appear on page 2, accept responsibility for the information contained in this document, including individual and collective responsibility for the Company's compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors and Proposed Directors (each of whom have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 16 April 2014.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not itself examined or approved the contents of this document. The rules of AIM are less demanding than those of the Official List. The Shares are not traded on any other recognised investment exchange and no application has been made for the Ordinary Shares to be listed on any other recognised investment exchange.

Each AIM company is required pursuant to the AIM Rules for Companies to have a Nominated Adviser. The Nominated Adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Your attention is drawn in particular to the risk factors set out in Part II of this document, however, the whole text of this document should be read.

Eagle Eye Solutions Group PLC

(a company incorporated in England and Wales under the Companies Act 2006 with company number 08892109)

Placing of 3,658,536 Ordinary Shares at 164 pence per share

Admission to trading on AIM

Financial Adviser, Nominated Adviser and Broker

PANMURE GORDON & CO

Share capital immediately following Admission

Issued and Fully Paid

	<i>Number</i>	<i>Amount</i>
ordinary shares of 1 penny each	20,131,152	£201,311.52

Panmure Gordon, which is regulated by the FCA, is acting as Nominated Adviser and Broker to the Company and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Panmure Gordon has not authorised the contents of any part of this document for the purposes of the AIM Rules and (without limiting the statutory rights of any person to whom this document is issued) accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible. The responsibilities of Panmure Gordon as the Company's Nominated Adviser and Broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director, Proposed Director, Shareholder or any other person in respect of a decision to subscribe for Shares in the Company. Panmure Gordon is not making any representation or warranty, express or implied, as to the contents of this document.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States of America, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities laws of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations and will not be made to any national, resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this Admission Document. Any representation to the contrary is a criminal offence in the United States.

In making any investment decision in respect of the Ordinary Shares, no information or representation should be relied upon other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

Neither the Company nor the Directors or Proposed Directors are providing prospective investors with any representations or warranties or any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares.

IMPORTANT INFORMATION

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of the Ordinary Shares and any income from Ordinary Shares can go down as well as up and Investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under "Part II: Risk Factors").

Potential Investors contemplating an investment in the Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in the Ordinary Shares.

If you are in any doubt about the contents of this document you should consult a person authorised under FSMA, who specialises in advising on the acquisition of shares and other securities.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential Shareholders should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential Shareholders should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption, conversion or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential Shareholders must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

This document should be read in its entirety before making any investment in the Company.

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group will operate, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline", "aims", "may", "targets", "would", "could" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules for Companies.

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EXPECTED TIMETABLE FOR THE PLACING AND ADMISSION

Publication of this document	10 April 2014
Completion of the Acquisition	16 April 2014
Admission becomes effective and dealings in the Enlarged Share Capital expected to commence on AIM	8.00 a.m. on 16 April 2014
Expected date for CREST accounts to be credited (where applicable)	16 April 2014
Despatch of definitive share certificates (where applicable)	by 23 April 2014

Each of the times and dates in the above timetable is subject to change. All times are London times.

PLACING STATISTICS

Placing Price per Placing Share	164 pence
Number of Existing Ordinary Shares	14,150,112
Number of new Ordinary Shares to be issued by the Company pursuant to the Placing*	3,658,536
Number of Consideration Shares to be issued pursuant to the Acquisition	1,219,512
Number of Sale Shares being sold by the Selling Shareholders*	446,312
Number of Ordinary Shares in issue at Admission*	20,131,152
Percentage of Enlarged Share Capital represented by Placing Shares*	18.2 per cent.
Gross proceeds of the Placing receivable by the Company*	£6.0 million
Estimated net proceeds of the Placing receivable by the Company*	£4.9 million
Gross proceeds of the Placing receivable by the Selling Shareholders*	£0.7 million
Estimated net proceeds of the Placing receivable by the Selling Shareholders*	£0.7 million
Estimated market capitalisation of the Company at the Placing Price at Admission*	£33.0 million
TIDM	EYE
ISIN	GB00BKF1YD83
Sedol	BKF1YD8
Website	www.eagleeye.com

Exchange rates:

Calculations from \$US have been calculated at a rate of £1: \$US1.6542

** Assuming the Placing is fully subscribed*

DIRECTORS, OFFICERS AND ADVISERS

Directors	William (<u>Bill</u>) Christopher Currie, Non-executive Chairman Phillip (<u>Phill</u>) Robert Blundell, Chief Executive Officer Stephen (<u>Steve</u>) John Rothwell, Founder Sir Terence (<u>Terry</u>) Patrick Leahy, Non-executive Director
Proposed Directors	Andrew (<u>Drew</u>) Gordon Thomson, Non-executive Director <u>Malcolm</u> Robert Wall, Non-executive Director
Company Secretary and Registered Office	Taylor Wessing Secretaries Limited 5 New Street Square London EC4A 3TW
Head Office	3000 Cathedral Hill Guildford Surrey GU2 7YB
Financial Adviser, Nominated Adviser and Broker	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
Reporting Accountants	Baker Tilly Corporate Finance LLP 25 Farringdon Street London EC4A 4AB
Reporting Accountants (Historical Financial Information on 2ergo Limited)	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester M3 3EB
Lawyers to the Company	Taylor Wessing LLP 5 New Street Square London EC4A 3TW
Lawyers to the Nominated Adviser	Squire Sanders (UK) LLP 7 Devonshire Square London EC2M 4YH
Financial PR	Hudson Sandler Limited 29 Cloth Fair London EC1A 7NN
Registrars	Equiniti Limited Aspect House, Spencer Road, Lancing Business Park, Lancing, West Sussex BN99 6DA

DEFINITIONS

“2ergo”	2ergo Limited, a company incorporated in England and Wales under company number 03816463, which on Admission will be a wholly-owned subsidiary of the Company
“Acquisition”	the acquisition by the Company of 2ergo
“Acquisition Agreement”	the acquisition agreement dated 21 March 2014 pursuant to which the Company conditionally agreed to acquire the entire issued share capital of 2ergo
“Admission”	the admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and AIM Rules for Nominated Advisers, as appropriate
“AIM Rules for Companies”	the rules for AIM companies published by the London Stock Exchange
“AIM Rules for Nominated Advisers”	the rules for nominated advisers to AIM companies published by the London Stock Exchange
“Articles”	the articles of association of the Company, a summary of which is set out in paragraph 6 of Part VI of this document
“Companies Act”	the Companies Act 2006 (as amended)
“Company” or “Eagle Eye”	Eagle Eye Solutions Group PLC, a company incorporated in England and Wales under company number 08892109
“Consideration Shares”	the 1,219,512 Ordinary Shares to be issued to the vendor of 2ergo pursuant to the Acquisition Agreement
“Corporate Governance Guidelines”	the corporate governance guidelines for AIM companies published by the QCA in May 2013
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertificated Securities Regulations 2001)
“CREST Regulations”	the Uncertificated Securities Regulations 2001, including (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force
“Directors” or “Board”	the directors of the Company as at the date of this document, whose names are set out alongside ‘Directors’ on page 2 of this document and in addition, as from Admission, the Proposed Directors
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007
“EMI”	enterprise management incentive
“Enlarged Group”	the Company and its subsidiaries as at Admission

“Enlarged Share Capital”	the Ordinary Shares in issue immediately following Admission
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited
“Executive Directors”	the executive directors of the Company as at the date of this document, namely Phill Blundell and Steve Rothwell
“Existing EMI Scheme”	the EMI option scheme set up by Eagle Eye Solutions Limited described in paragraph 7.3 of Part VI of this document
“Existing Ordinary Shares”	the 14,150,112 Ordinary Shares in issue as at the date of this document
“Existing Share Option Schemes”	the Existing EMI Scheme and the Existing Unapproved Scheme
“Existing Unapproved Scheme”	the unapproved option scheme set up by Eagle Eye Solutions Limited described in paragraph 7.4 of Part VI of this document
“FCA”	the UK Financial Conduct Authority
“FSMA”	the United Kingdom Financial Services and Markets Act 2000, as amended
“Group”	the Company and its subsidiaries
“ISIN”	international security identification number
“Lock-in Agreements”	the lock-in agreements between the Company, Panmure Gordon and certain Shareholders, summary details of which are set out in paragraph 12.6 of Part VI of this document
“London Stock Exchange”	London Stock Exchange plc
“New EMI Scheme”	the EMI option scheme set up by the Company described in paragraph 8.2 of Part VI of this document
“New Share Option Schemes”	the New EMI Scheme and the New Unapproved Scheme
“New Unapproved Scheme”	the unapproved option scheme set up by the Company described in paragraph 8.3 of Part VI of this document
“Nominated Adviser” or “Nomad” or “Panmure Gordon”	Panmure Gordon (UK) Limited, a company incorporated in England and Wales (registered number 4915201) and having its registered office at One New Change, London EC4M 9AF
“Nominated Adviser and Broker Agreement”	the agreement between the Company and Panmure Gordon dated 10 April 2014 pursuant to which the Company has appointed Panmure Gordon to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies and for the purpose of making the application for Admission
“Official List”	the Official List of the UK Listing Authority
“Options”	rights to acquire (whether by subscription or market purchase) Ordinary Shares as described in paragraphs 7 and 8 of Part VI of this document

“Ordinary Shares”	ordinary shares of 1 penny each in the share capital of the Company
“Panel”	the UK Panel on Takeovers and Mergers
“Placees”	those persons who have agreed to subscribe for the Placing Shares
“Placing”	the conditional placing of the Placing Shares and the Sale Shares by Panmure Gordon at the Placing Price, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 10 April 2014 between the Company, the Directors and Panmure Gordon relating to the Placing summary details of which are set out in paragraph 11 of Part VI of this document
“Placing Price”	164 pence per Placing Share
“Placing Shares”	the 3,658,536 new Ordinary Shares to be issued pursuant to the Placing
“Proposed Directors”	Drew Thomson and Malcolm Wall
“Prospectus Rules”	the prospectus rules of the Financial Conduct Authority made under Part VI of the FSMA
“QCA”	the Quoted Companies Alliance
“Registrar”	Equiniti Limited
“Sale Shares”	the Existing Ordinary Shares to be sold by the Selling Shareholders pursuant to the Placing
“SEC”	the US Securities and Exchange Commission
“Selling Shareholders”	Edward James Pippin and Stephen John Rothwell
“Share Exchange Agreement”	the agreement dated 18 March 2014 between the Company and holders of shares in Eagle Eye Solutions Limited, summary details of which are set out in paragraph 12.8 of Part VI of this document
“Shareholders”	the holders of the Ordinary Shares
“Subsidiary”	as defined in sections 1159 of the Companies Act
“Takeover Code”	the City Code on Takeovers and Mergers published by the Takeover Panel
“Takeover Panel”	the Panel on Takeovers and Mergers
“TIDM”	tradable investment display mnemonic
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council
“UK Listing Authority”	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List
“VCT”	a company which is, or which is seeking to become, approved as a venture capital trust under Section 842AA of the UK Income and Corporation Taxes Act 1988

GLOSSARY OF TECHNICAL TERMS

“API”	application programming interface
“B2B”	business to business
“B2C”	business to consumer
“CAGR”	compound annual growth rate
“closed-loop”	the ability to quantify the effect of a marketing treatment
“CRM”	customer relationship management
“elastic search”	an open source, Java-based search engine that can index document files in diverse formats
“EMV”	Europay, MasterCard and Visa, a global standard for inter-operation of integrated circuit cards (“IC cards”) and IC cards-capable POS terminals and automated teller machines, for authenticating credit and debit card transactions
“ePOS”	electronic point of sale
“FMCG brands”	fast-moving consumer goods brands
“IP”	intellectual property
“NFC”	near field communication
“POS”	point of sale
“ROI”	return on investment
“RTP”	retail technology provider
“SAAS”	software as a service
“SMS”	short message service

PART I

INFORMATION ON THE GROUP

1. Overview

Eagle Eye is a leading, UK provider of digital consumer engagement solutions to the retail and hospitality industries.

The Group provides a digital transaction platform for the secure multi-channel issuance, management and redemption of promotional offers, gift vouchers and loyalty-based rewards, replacing previously used paper-based methods. The coupons, gift vouchers and loyalty-based rewards markets are currently transitioning through substantial change as both retailers and consumers are moving away from paper and plastic to digital offers, rewards and loyalty. These markets, in aggregate, are estimated to be worth £54.8 billion, £4.7 billion and £210 million respectively.

The Eagle Eye platform comprises four key components: campaign creation; issuance; redemption and reporting. The Group's products supported by the Eagle Eye platform allow the Group's clients to deliver relevant offers, rewards and services to consumers in real time, in a simple and secure way, across multiple media including email, SMS messaging and loyalty apps. The offers and rewards can be redeemed securely by the consumer through any enabled point of sale ("POS") channel.

The Group's current customer base comprises leading names in UK retail and hospitality including Gondola Group, Greggs, Karen Millen, Marks & Spencer, Mitchells and Butlers, Pets at Home, Tesco and Tragus.

Over the last year, the number of transactions conducted over the platform has increased significantly from an average of 200,000 a month in 2012 to 1,000,000 a month in 2013. Revenue has grown at a CAGR of 70 per cent. per annum for the last three years, with revenue for the year ending 30 June 2013 totalling £705,000. In the six months ending 31 December 2013, revenue was 75 per cent. greater than the six months to 31 December 2012. The Group currently has 25 employees (not including employees of 2ergo) and is headquartered in Guildford, Surrey.

On 21 March 2014, shareholders approved the conditional acquisition of the business and assets of a key competitor, 2ergo, for £2.5 million in cash and £2 million worth of Consideration Shares at the Placing Price. 2ergo specialises in contactless communication technology solutions and the Directors believe this acquisition will accelerate the growth of the Enlarged Group through access to significant IP and new customers. The Company has conditionally raised gross proceeds of £6.0 million through the Placing to help fund the Acquisition, support and accelerate the growth of the Company and help fund further investment in strategic technology.

2. History and Background

The Group was founded in 2003 by Steve Rothwell who has worked for over 15 years in the areas of secure payments and mobile marketing. From 2003 to 2010, Steve spent significant time developing the core platform, with the Group beginning to trade in 2009, and during that year the Group was granted the UK patent for its redemption of coupons using an EMV enabled chip and pin machine.

In 2010, the first product version of the platform was released, mVoucher, and by 2011 the platform was fully established and processing transactions for clients including Aurora, Blockbuster and Comet. Development work on the platform continued, in part driven by client requests to improve functionality and produce bespoke client-usage reports.

In 2011, the Group gained a significant customer win with a sale to PayPal and enhanced its management team with the appointments of Sir Terry Leahy, Bill Currie and Chris Gorell-Barnes to the Board.

During 2012, the Group won ten new clients, launched the Tesco Clubcard exchange programme and was granted a European patent for its coupon redemption IP. Throughout the year the Group's platform was significantly advanced to provide stability and accommodate scalability. In December 2012, Phill Blundell joined the Board as Commercial and Finance Director.

In 2013, the Group released version 2 of its platform, having made improvements to the software and service architecture, significantly enhancing transactional performance. The platform was extended to support unique customer identifiers, allowing the platform to be used for loyalty and reward schemes. This version is currently being used by Greggs and Marks and Spencer. During 2013, a third round of funding was successfully closed from existing and new investors, and Robert Willett joined the Board as Chairman.

In the current year, scalability has been a core development focus for the Group, in particular, enabling the platform to deal with up to 300 million transactions per annum (current capacity is approximately 40 million). Additionally, the Group has rolled out a substantially re-branded product suite, has gone live with three large new customers, and its staff rewards product was launched with Mitchells & Butlers. The Group also reached a milestone in terms of transaction volume this year, with over two million transactions conducted in one month. During the course of this current year, Robert Willett resigned from the Board, and Bill Currie was appointed Non-executive Chairman. Two independent Non-executive Directors, Drew Thomson and Malcolm Wall, are proposed to join the Board on Admission.

3. Key Strengths

The Directors believe that the Enlarged Group's core strengths lie in the following areas:

Differentiated product

Eagle Eye's platform provides a complete solution to clients for the management of digital offers and rewards, from campaign creation through to redemption and data analysis, unlike most competitors which tend to focus on only one side of the transaction.

Patented technology

The Group's competitive advantage is primarily derived from the 'know-how' obtained since its trading launch in 2009, together with the long experience of the Group's founder, Steve Rothwell. The Group has obtained 38 patents covering the UK, Australia, New Zealand, the EU and the US. The primary purpose of these patents is to protect the use of a chip and pin (EMV) machine to verify and redeem a coupon or voucher by communicating with a separate server to the current payment server.

Blue-chip customer base

The Group's customer base includes leading names within the UK retail and hospitality industries including Greggs, JD Sports, Marks & Spencer, Mitchells and Butlers, Tesco, Thomas Pink and Tragus, and totalled over 60 unique brands in 2013. The number of customers linked to the platform has also attracted key issuance partners such as PayPal, Nectar and WEVE.

Significant partnerships

The Group has partnerships with eight of the leading providers of POS platforms, providing a significant access point into new customers who are existing users of their technology. The Group has established relationships with over 50 per cent. of the UK addressable POS market.

Scalable revenue model

By adopting a SAAS business model, Eagle Eye has a highly scalable revenue model whereby revenues are generated through volumes on the platform. The Group receives revenue for issuance, redemption and monthly support fees.

High growth markets

Eagle Eye operates in three key markets: coupons; gift vouchers; and loyalty-based rewards. These markets are going through substantial change as both retailers and consumers move away from paper and plastic to digital offers, rewards and loyalty. Growth is being observed in both the underlying markets in which the Group is active and the digitisation of retail customers' redemption offers within these markets. UK marketers spent £55 billion on promotional marketing in 2013, which comprised both discounts and value-added promotions.

Experienced board and management team

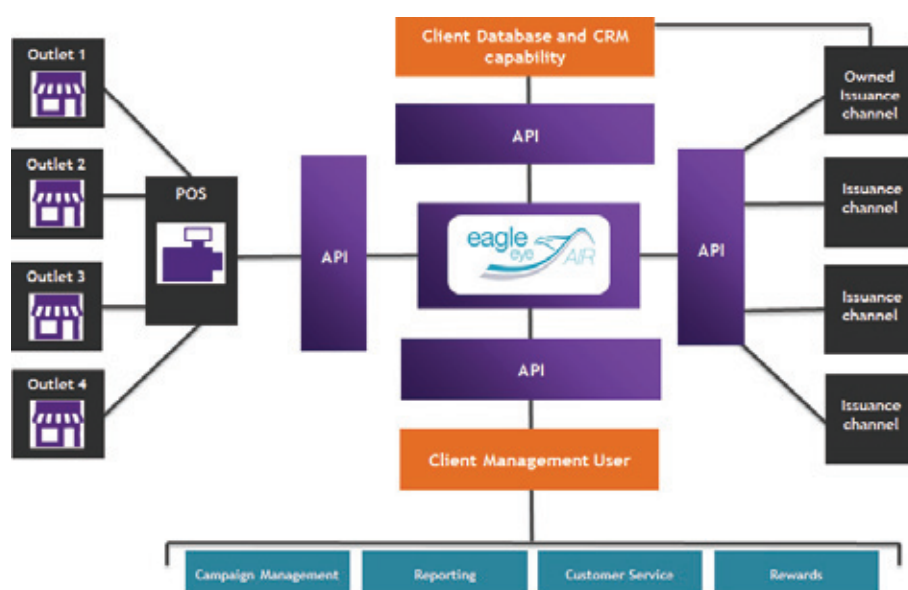
The Board and management team have significant experience in the retail and technology industries and of managing high growth companies. Further details of the Directors, Proposed Directors and key members of management and their experience are set out in paragraph 10 of this Part I.

4. Business Description

4.1. Overview of technology

The Eagle Eye platform enables the secure multi-channel issuance, management and redemption of digital tokens to deliver a suite of business applications that enable retailers and manufacturers to digitally engage with their consumers and gain real-time insight on the ROI of their marketing spend.

The platform is delivered as a fully managed service and provides a network of connected consumers, retailers, issuance partners and POS redemption partners with the ability to exchange, authenticate and redeem these digital tokens securely and in real-time across a range of channels and devices.



The Group's AIR platform – the digital transaction platform

The platform provides clients with the flexibility to build promotions, loyalty schemes and customer service strategies by: digital coupon counting and reconciliation; digital loyalty-based rewards and incentives; digital vouchers and gifting; secure multi-channel redemption; digital token based shopper services and online voucher exchange programmes.

The platform operates in real time (issuance and redemption) enabling Eagle Eye clients to tailor offers to customers' spending habits much more quickly than with printed vouchers to keep customers loyal and boost the average basket spend, both in-store and online. The technology can also identify those who have shown interest in an offer but have not yet redeemed it.

The platform comprises four main components:

Campaign management

The easy set-up of campaigns and underlying offers for access by retailers and issuance partners through wizard based tools, allowing a number of clients to set-up marketing campaigns in-house while the remainder use the Group to set-up campaigns. Campaigns can include digital coupons, vouchers or loyalty-based rewards and the client can set varying business rules surrounding both issuance and redemption of the offer, including redemption windows, number of issuances and redemptions per token and/or customer, available locations and the terms and conditions of the offer.

Multi-channel issuance

Campaigns and issued codes can be distributed and communicated to the end consumer by the Eagle Eye platform via multiple channels including SMS, email, mobile applications, push notifications and broadcasts on event-based triggers. Codes can also be provided directly to the client or distributing partner for onward communication to the consumer through the client's own distribution mechanics. Both real-time and batch issuance of codes are supported by the platform.

Secure multi-channel redemption

The Eagle Eye platform uses secure and unique, digital, one use only codes to eliminate costs associated with fraudulent copies of coupons and vouchers. The Eagle Eye platform-generated digital tokens can be redeemed at a POS via a wide range of mechanics including keyed or scanned entry into the POS and keyed or contactless chip and pin devices. The platform supports both in store and online redemption.

Reporting and data provision

All redemption and issuance data relating to each Eagle Eye supported campaign is made available through online reports on the Eagle Eye administration platform. Targeted market intelligence can also be fed real-time or in batch into a client's CRM system, rewards programme campaign tool or finance (and other third party) systems.

4.2. Product and services

Analytics and development is typically the first stage of Eagle Eye's digital solution and relates to creating applications for the customer and/or customising the Group's platform to suit the customers' own specific CRM technology and requirements. This service typically operates under agreed fee arrangements with the design and build being governed by a contract and a project budget.

Once the Group's technology is integrated with the customer's systems, the Group provides licensing and support services to the customer which involves permitting the customer to use the Group's technology and also providing on-going maintenance, support, connectivity and hosting services to the customer. The licence fee takes the form of a set-up fee billed at inception and then support fees are billed and recognised on a monthly basis.

The Group's platform supports four key product applications:

Digital coupons

This is the delivery of a token to a customer directly to their mobile device, or via email, which is then used as part of a promotional activity, such as a retail purchase or a discounted meal. This service is analogous to a traditional paper coupon without the paper.

Digital gift vouchers

This is the delivery of a token to a customer directly to their mobile device, or via email, that can be used as payment at the point of sale. This service is analogous to a traditional gift voucher or stored value card, without the plastic. Traditional plastic and paper variants can also be supported in parallel where required.

Digital loyalty-based rewards

The distribution of loyalty and other reward programme-based offers via third party provided consumer mobile and/or web based loyalty applications that allow customers to earn loyalty-based credits. This product allows for the tracking of visits and processing of redemption and payments via instore or online point of sale.

PayPal in-store payments

The PayPal in-store system is a gateway solution that simplifies the integration of retailers' POS systems to the PayPal network, enabling consumers to pay with PayPal in physical locations. The solution utilises the same core Eagle Eye redemption API to accept a payment token from a POS, then performs the payment transaction with PayPal and informs the POS of the result. This solution is available to all PayPal customers through the PayPal mobile application, and benefits PayPal by simplifying and accelerating the adoption of PayPal in-store for retailers. Currently, there are approximately 20 retailers who have, or are about to, adopt PayPal in-store as a value added service through the Group.

4.3. Revenue model

The Group generates revenue from its platform through issuance fees, redemption fees and monthly support fees. Fees generated are growing strongly as more customers adopt the platform and existing customers find new ways to use the capabilities that it offers. Issuance, redemption and monthly support fees, which are a combination of recurring and transactional revenue, currently account for approximately 60 per cent. of total revenue, with the remaining 40 per cent. derived from bespoke fees for custom development on the platform for new and existing customers. The Group's revenue is substantially derived from the digital consumer engagement market in the UK.

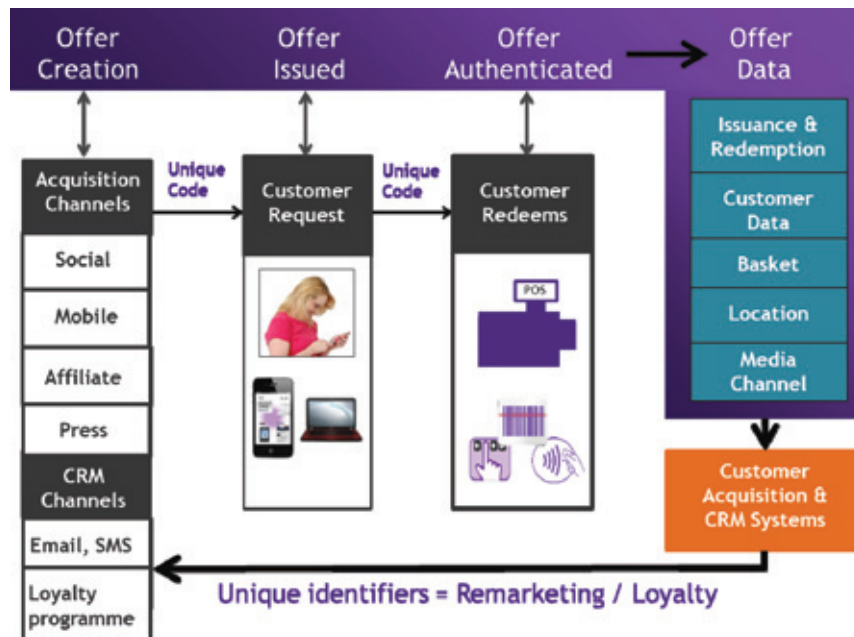
In the six months to 31 December 2013, coupons and vouchers accounted for 48 per cent. of total revenue, analytics and development for 39 per cent. and licence and support fees for 13 per cent.

The Group sells directly to UK retailers and hospitality businesses using a sales team of four supported by two executive directors. It also sells through a number of ePOS providers including BTe, Toshiba and Micros. When selling through a partner the Group typically shares revenue on a 50:50 basis.

4.4. Intellectual property

The Group's competitive advantage is primarily derived from the 'know-how' obtained since its trading launch in 2009, together with the historic experience of the Group's founder, Steve Rothwell. The Directors believe that the Group has established a position as one of the UK's leading players in the UK's digital customer engagement market. This has been achieved by five years of developing the software platform to support four key products and 15 services which creates a breadth and depth of offering that the Directors believe is a key differentiator and barrier to new entrants. Integrations with over 60 contracted customers and eight redemption partners, as well as six issuance partners, adds to the intrinsic value of the software.

In addition to the know-how above, the Group has obtained 38 patents covering the UK, Australia, New Zealand, the EU and the US. The primary purpose of these patents is to protect the use of a chip and pin (EMV) machine to verify and redeem a coupon or voucher by communicating with a separate server to the current payment server.



The Group's customer journey

4.5. Customers

The Group's early success was in gift vouchers, where a digital token is created to represent a monetary value. This can take the form of either a gift or a paid-for voucher. This solution was initially sold to Coast, Karen Millen, Oasis and Warehouse, all of which wanted to sell digital gift vouchers online as part of their e-commerce strategy that could also be redeemed in-store using key entry to the POS. After the success of the early adopters, the Group has since rolled-out this product to a number of restaurant chains, including Gondola Group and Mitchells & Butlers, and to Thomas Pink. The platform has more recently been extended to support plastic in addition to digital gift vouchers, and customers now include Greggs and JD Sports.

The second product to go live was promotional offers. This allows the creation of product-specific digital coupons which are authenticated both in terms of product and the validity of the coupon in real-time at the POS. Given the high levels of fraud associated with paper coupons, this product was quickly adopted by the casual dining market. Customers include ASK, Café Rouge, La Tasca, Mitchells & Butlers, Pizza Express, Prezzo and Zizzi. The more widespread adoption of advanced scanning technology at the POS has resulted in a number of new customers, including One Stop Convenience Stores and Pets at Home. An example of this is the Group's digitisation of rewards for members of the Tesco Clubcard exchange, issuing digital coupons for Pizza Express. The Group's programme reduced voucher issuance time from five days to two hours, and 60 per cent. of customers switched to email-issued vouchers within the first two weeks of launch (growing to 96 per cent. after 6 months). Redemption volumes of the exchange programme now exceed half a million per month, and the paper voucher is no longer used.

PayPal in-store was the third product to go live. It is a payment solution that permits PayPal customers to pay for goods and services using their PayPal account in a 'bricks-and-mortar' outlet. This product was launched in 2012 and now has 17 active customers, including M & Co., Pets at Home, Snow + Rock, Sole Trader and Thomas Pink.

Loyalty-based rewards is the fourth main product offering, where the digital token can represent a unique consumer identifier. The Group's platform is linked to the customer's CRM system to serve up real-time offers, rewards and to authenticate payments. The launch customer was Marks & Spencer in September 2013 and it went live with Greggs in January 2014. The Group's 'Your M&S' application allows Marks & Spencer to manage mobile coupon campaigns, generating unique customer offer codes to be redeemed in-store. Coupons are saved to the customer's passbook, and can be personalised based on the customer's individual purchasing behaviour. The product developed for Greggs includes gift vouchers, evouchers, mvouchers, promotions, and rewards.

Within the application, unique codes are created for each customer to redeem offers at the POS, and payments can be made via a prepaid account. On top of this, the application will provide loyalty rewards for users.

As at the date of this document, the Group has over 60 live customer brands, ranging from multinationals such as PayPal and Tesco to smaller UK-focussed businesses. In 2013, the largest customer represented approximately 16 per cent. of total revenue and the top ten customers represented approximately 80 per cent.

4.6. Strategic partnerships

The Group has a number of partnership agreements with major POS software providers that create multiple customer integrations and ensures Eagle Eye's digital tokens can be redeemed via a wide range of mechanics: scanned entry, keyed entry or contactless chip and pin. Relationships with providers of POS platforms provide significant access points into new customers. Current redemption partnerships are with BT Expedite, Comtrex, Ingenico, k3 Retail, Micros, PCMS and VeriFone.

Strategic issuance partnerships allow the Group to target the B2B gift voucher market as well as traditional B2C brand offers. Currently the Group has issuance partnerships with Edenred, Nectar, PayPal, Reward Gateway, Tesco Clubcard and WEVE.

5. The Industry

5.1. Overview

Eagle Eye operates in three key markets: coupons; gift vouchers; and loyalty-based rewards. These markets are going through substantial change as both retailers and consumers move away from paper and plastic to digital offers, rewards and loyalty. Growth is being observed in both the underlying markets in which the Group is active in and the digitisation of retail customers' redemption offers within these markets. UK marketers spent £55 billion on promotional marketing in 2013, which comprised both discounts and value-added promotions¹.

5.2. Drivers towards digitisation

The digitisation of the coupon, gift vouchers and loyalty-based rewards markets reduces the costs associated with the handling and distribution of traditional paper and plastic alternatives as well as eliminating costs associated with fraudulent copies of the same coupons and vouchers. Digitisation also enables faster payment to retailers and provides brands and merchants with the ability to have real-time tracking and reporting of their marketing campaigns. When coupled with additional user insight data, digital rewards can also be personalised for their recipients. A Valassis survey found that 17 per cent. of the US population were using a mobile app to manage downloaded offers when shopping, including 21 per cent. of shoppers with an income over \$50,000, while 24 per cent. responded that they had increased their use of a smartphone to receive promotional deals².

Retailers and consumer brands are increasingly using digital media to market and distribute coupons and vouchers to both current and target customers, with growth in this market being partly due to greater integration with social media platforms and smart devices³. In addition to consumer brand and retailer own-label apps, brand coupon apps which receive and store coupons and vouchers from multiple sources have been released, such as Apple's Passbook. Coupons which are delivered and redeemed through mobile devices are expected to be received by more than 500 million consumers globally in 2013, an increase of 30 per cent. from 2012⁴. The trend of increased digitisation displays a step change in brands' and retailers' strategies to develop longer-term relationships with customers through data analytics and campaign targeting. It is estimated that 80 per cent. of retailers do not know what percentage of paper coupons are fraudulent⁵, and that paper coupon fraud is estimated to cost US businesses alone over \$500 million (£302.6 million) each year⁶.

¹ IPM, Size of the UK Promotional Marketing Industry 2013 (2013)

² Valassis, 2K14 Shopper Marketing Report (2014)

³ Juniper Research, Mobile Coupons ~ The Smart Way to Shop (2012)

⁴ Juniper Research, Mobile Coupons: Strategies, opportunities & forecasts 2012 – 2017 (2012)

⁵ Loss Prevention Research Council, (2013)

⁶ Retail Wire, 2013

The increase in digital loyalty, gift card and coupon use is also viewed as an effective strategy to counter fraud within the promotional marketing sector, where it is estimated that approximately 30 per cent. of all coupons used in the UK are subject to fraud⁷. The Group's platform authenticates the redemption of coupons, gift vouchers and loyalty-based rewards, increasing the efficiency of consumer marketing and reducing fraudulent exchanges of goods.

5.3. Product types

5.3.1. Coupons

The value of UK promotional marketing spending in 2013 was £54.8 billion, of which £40.4 billion comprised discounted pricing, with the remainder being value-added promotions through some form of reward or incentive⁸. These promotions take a number of forms, including discounts, 'buy one get one free' offers and 'money off next purchase' coupons. Consumers continue to rate coupons as the most influential medium to motivate consumer packaged goods purchases, with over 70 per cent. in an NCH US survey rating coupons as number one⁹. The popularity of coupons resulted in marketers distributing 315 billion coupons globally in 2013, an increase of 3.3 per cent. year-on-year¹⁰. Retailer-issued coupons and vouchers now account for 82 per cent. of all redemptions in the UK, with manufacturers, particularly of FMCG brands, also being prolific issuers of vouchers and coupons. Within this promotional spend, redemption of coupons within the UK has increased by 33 per cent. year-on-year since 2009, growing to a value of £1.6 billion¹¹.

The global redemption value of mobile coupons is projected to exceed \$43 billion (£26.0 billion) by 2016¹², a growth of 796 per cent. from \$5.4 billion (£3.3 billion) in 2011, with the number digitally redeemed via tablets and smart devices to grow to 10 billion in 2013, a 50 per cent. increase year-on-year.¹³ While the digital coupon market is comparatively small in terms of number of promotions issued, with only 1 per cent. of coupons distributed in the US consumer packaged goods market being digital¹⁴, the redemption rate over paper and plastic coupons is close to ten times higher¹⁵.

5.3.2. Gift vouchers

The UK gift voucher, gift card and stored value solutions market was estimated to be worth £4.7 billion in 2012¹⁶, with B2C transactions comprising 46 per cent. of this volume and the remainder being B2B, often through workplace incentivisation schemes. Digital vouchers are expected to make up 15 per cent. of the total UK retail gift card market by 2015. In the US, \$43 billion (£26.0 billion) in gift cards exchanged hands during the Christmas period in 2012, and 46 per cent. of consumers are now actively interested in mobile storage of gift cards, up from 43 per cent. the previous year¹⁷.

5.3.3. Loyalty-based rewards

Loyalty programmes are marketing initiatives that reward customers for buying habits that are loyal to that brand or retailer, which encourage repeat purchases, predominantly targeting existing customers. The loyalty market is estimated at \$1.7 billion (£1.0 billion) in Europe and \$9 billion (£5.4 billion) in the US. Within the UK, it is estimated that in 2012 6.7 per cent. of consumer retail spending, estimated at £312 billion, is eligible for a loyalty reward, equating to retailers spending

⁷ Shopitize (November 2012)

⁸ IPM, Size of the UK Promotional Marketing Industry 2013 (2013)

⁹ BIGinsight Media Behaviors and Influence Survey (2012)

¹⁰ 2013 Annual NCH Coupon Facts, 2013

¹¹ Valassis Ltd (March 2013)

¹² Juniper Research, Mobile Coupons: ~ The Road to Redemption (2011)

¹³ Juniper Research, Mobile Coupons: Strategies, opportunities & forecasts 2012 – 2017 (2012)

¹⁴ 2013 Annual NCH Coupon Facts, 2013

¹⁵ Juniper Research, Mobile Coupons: Strategies, opportunities & forecasts 2012 – 2017 (2012)

¹⁶ UK Gift Card & Voucher Association: Gift Cards & Vouchers in the UK – Summary (2012)

¹⁷ First Data Consumer Insights into the US Gift Card Market (2012)

approximately £210 million on loyalty-based rewards schemes (based on a loyalty reward ratio of 1:100)¹⁸. An increasing number of retailers are integrating mobile loyalty strategies to improve their interaction and personalisation of marketing¹⁹.

The Directors believe that there are four main types of competitor to the business: ePOS providers; marketing agencies; direct competitors and the providers of paper and/or plastic solutions.

Marketing agencies have the ability to deliver promotional offers on behalf of retailers and hospitality companies. They have the breadth of channels in which to issue the offers, however, they have no redemption capability to be digitally closed-loop. This group includes Vouchercloud, vouchercodes, WEVE and WPP.

The current market for paper and/or plastic solutions in the UK is dominated by Catalina and Valassis. Both have strong relationships with the top six grocers and FMCG brands, however, to date neither has launched a digital solution.

Eagle Eye's competitive ecosystem

¹⁹ Telco 2.0, Digital Commerce (July 2013)

6. Strategy

The Directors' business strategy comprises the following aspects:

Grow UK coupon market share

The majority of the UK market is funded by the major FMCG brands and redeemed through the top 6 UK grocers. The Enlarged Group's primary focus over the near term is to integrate with the major grocers, thus allowing the Enlarged Group to build relationships with the FMCG brands and capture a proportion of their promotional marketing budget spend.

Grow UK gift voucher market share

In addition to expanding the number of customers in the B2C digital gift voucher market, the Enlarged Group intends to target the B2B digital gift voucher market through strategic partnerships. The B2B market is dominated by a small number of issuers, including Edenred, Grassroots and Park Group, with which the Enlarged Group intends to develop a contractual relationship to offer gift vouchers primarily into the employee benefits market.

Increase the number of issuance partners and retail technology partners

Having signed a number of partnership agreements with major POS software providers ("RTPs"), the Enlarged Group intends to make the agreements more effective through multiple customer integrations. It will also endeavour to sign up the remaining significant RTPs, thereby expanding the Enlarged Group's addressable market.

Volumes on the Enlarged Group's platform are dependent on the number of issuance partners, and the Enlarged Group intends to target major digital coupon distributors, aggregators and marketing agencies.

Enhancing the Eagle Eye platform

In addition to the integration of the 2ergo campaign manager software platform, the Enlarged Group will continue to enhance the core Eagle Eye AIR platform to support new technologies, improved management tools and new services with the aim of surpassing transaction volumes of 100 million per annum. New technologies that may be supported by the platform include NFC redemption and iBeacon technology. Improvement in management tools will see a more customisable framework for launching new campaigns and offers, and also enhanced reporting and analytic tools, including elastic search. New services designed and ready to be built include dynamic basket analysis and a plug-in for staff reward and incentive schemes.

Evaluating US market expansion

The US is the largest market for paper coupons, and it is the Enlarged Group's intention to enter this market with its digital proposition at the appropriate time. After discussions with existing customers and partners who feel the Enlarged Group should offer its products in the US, the Enlarged Group is formulating its entry strategy.

7. The Acquisition

7.1. Introduction

On 21 March 2014 the Company announced that it had conditionally agreed to acquire the entire issued share capital of 2ergo, pursuant to the Acquisition Agreement. The consideration for the Acquisition comprises £2.5 million in cash and £2 million worth of Consideration Shares at the Placing Price. 2ergo Group PLC shareholders approved the Acquisition on 9 April 2014. The Acquisition is conditional on Admission.

7.2. Background

2ergo specialises in contactless communication technology solutions. The main solutions delivered by 2ergo are Campaign Manager solution (SMS and email targeting campaigns, mobile application building and associated services), Podifi (a scalable contactless communication technology solution deployable across WiFi enabled smartphones) and Tiktap (a self-service local commerce contactless coupon redemption technology which is similar to Podifi but aimed at smaller merchants).

The Directors are particularly interested in the acquisition of the Campaign Manager solution, which they believe will provide access to new customers and significant IP which will help to enhance the Group's current platform and offering and de-risk the Enlarged Group's research and development programmes.

2ergo's key customers by revenue in 2013 included Ladbrokes, Pizza Express, Textanywhere, Lumata (Orange Wednesday service) and Expanding Vision. In total, 2ergo has nine key contracts in place. 2ergo currently has 24 employees and is headquartered in Manchester, UK.

7.3. Products

Campaign Manager solution

The Campaign Manager solution enables retailers and brands to create, promote and manage consumer interaction via email and SMS text messaging, with the ability to add a coupon and/or a gift voucher into these interactions. The Campaign Manager solution is a standalone platform for the issuance of coupons and vouchers; it does not link to a scalable redemption engine or allow tracking of campaigns.

The majority of 2ergo's revenue in 2013 was generated from Campaign Manager solution with a small amount of new business from Podifi and Tiktap.

Podifi

Podifi launched in Q4 of 2012 and is a "plug and play" mobile solution, which allows fast, contactless transactions to be executed by tapping a smartphone on a small, low-cost pod attached to the merchants' and retailers' cash till. The mobile marketing platform allows merchants and brands to create, launch and manage mobile coupon based offers, deals or loyalty programmes within minutes.

Podifi makes use of standard technology already used in smartphones, and requires no additional handset chip or hardware nor staff training. The Podifi solution gives the merchant or retailer the opportunity to target the customer during their shopping experience using proximity technology, allowing offers to be delivered in-store. Podifi is being targeted at retailers, food and drink outlets, sports arenas and stadiums for offers in the stadia and at home, and universities for on and off campus based offers and other student focussed retail discounts/promotions.

Tiktap

Tiktap is in the process of being fully launched and is a local commerce contactless coupon redemption technology which is similar to Podifi but is aimed at smaller merchants. Merchants and partners can offer multiple local everyday deals, coupons and vouchers which consumers select through an app and redeem in-store via their own mobile phone. Consumers can also search and navigate to local businesses through the Tiktap app which enables merchants to get a presence on a national application which has access to thousands of potential customers.

7.4. Intentions

The Directors believe that there are considerable revenue synergies to be obtained through the integration of 2ergo's Campaign Manager solution into existing and new Eagle Eye customers. In addition, 2ergo's client base offers opportunities for further sales of Eagle Eye products. The Directors anticipate being able to make substantial cost savings through the elimination of head office costs from the 2ergo group, as well as removing the effects of the 2ergo Group PLC equity-based incentivisation schemes.

8. Historical Trading

8.1. Eagle Eye

The Company was incorporated on 12 February 2014 and became the new parent company of the Group on 18 March 2014 as part of a restructuring of the Group in preparation for admission to AIM. Save for entering into the Acquisition Agreement, certain other contracts as set out in paragraph 12 of Part VI, and a share exchange agreement, since the date of its incorporation, the Company has not commenced operations and, save for the effects of the Share Exchange Agreement, the contracts referred to above and the Acquisition Agreement, the Company has no material assets or liabilities, and therefore no financial statements have been prepared as at the date of this document. The following financial information for Eagle Eye Solutions Limited for the years ended 30 June 2011 to 2013 and the six months ended 31 December 2013 has been extracted from the financial information contained in Part III of this document, prepared in accordance with IFRS, and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	<i>Year ended 30 June 2011</i>	<i>Year ended 30 June 2012</i>	<i>Year ended 30 June 2013</i>	<i>Six months ended 31 December 2013 Audited</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Revenue	242,519	581,196	705,248	603,835
Gross Profit	166,429	269,298	564,380	503,227
Operating Loss	(127,585)	(559,744)	(570,077)	(434,137)
Loss before Tax	(127,203)	(557,091)	(569,881)	(434,322)
Cash	1,615,208	769,996	1,408,357	1,154,738
Net Assets	1,609,728	1,057,597	2,008,702	1,642,775

8.2. Zergo

The following financial information for Zergo for years ended 31 August 2011 to 2013 has been extracted from the financial information contained in Part IV of this document prepared in accordance with IFRS, and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	<i>Year ended 31 August 2011</i>	<i>Year ended 31 August 2012</i>	<i>Year ended 31 August 2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	10,177	8,256	3,491
Gross Profit	3,778	2,705	1,163
Operating Loss	(3,379)	(6,674)	(5,586)
Loss before Tax	(3,377)	(6,670)	(5,586)
Cash	1,712	508	35
Net Assets/(Liabilities)	10,719	(2,020)	(6,543)

9. Current Trading and Prospects

Since 31 December 2013, the Group has continued its strong growth trajectory, with unaudited revenue for the two months ended 28 February 2014 of approximately £250,000. It recorded like-for-like revenue growth of 129 per cent. and 66 per cent. in January and February respectively. Gross margins were in line with expectations. The Group has continued to hire staff to fulfil its expanding pipeline, resulting in unaudited operating expenses of approximately £396,000 for the two months ended 28 February 2014. As at the date of this document, the Group had 25 employees compared with 16 at the same time last year. At the last practicable date prior to publication of this document, before the receipt of the net proceeds of the Placing, net cash was approximately £485,562.50.

From an operational perspective, the first two months of 2014 have been a period of strong performance, with a number of key new accounts going into live production, namely Greggs, JD Sports, One Stop and Pets at Home. The Group has also made substantial progress towards securing a contract with a major UK grocer.

January 2014 also saw the signature of a strategic partnership with Toshiba CGS, a leading POS provider of hardware and software to the UK market. This opens up the opportunity to connect a number of the largest retailers in the UK to the Group's platform. At the beginning of March 2014, a partnership with Nectar was concluded, going live with Pizza Express. This partnership will allow

Nectar customers to exchange their Nectar points for vouchers that can be redeemed at Pizza Express. The intention is to extend this offering to other customers of the Group, which will further increase volumes and revenues.

In addition to a contract pipeline of six customers who have entered into agreements with the Group but have not yet gone live, the Directors believe that the Enlarged Group has a strong pipeline of prospective customers which they look forward to converting over the course of 2014.

Since 31 August 2013, 2ergo has continued to the date of this document to be funded by its parent, 2ergo Group PLC. Between 1 September 2013 and 28 February 2014 (being the last practicable date prior to the publication of this document), 2ergo had received net funding from 2ergo Group PLC to the sum of approximately £1 million.

10. Details of the Directors, Proposed Directors and Senior Management

Short biographies of the Directors and Proposed Directors and details of their roles, including the principal activities performed by the Directors and Proposed Directors outside the Enlarged Group, are set out below.

Bill Currie, Non-executive Chairman (aged 52)

Mr Currie joined the Group as a non-executive director in 2011. He is the founder of the William Currie Group and William Currie Investments, an investment vehicle specialising in the retail sector. Previously he was a top-ranked equity research analyst, serving as Joint Managing Director of Charterhouse Securities and Director of Research at BZW. His current directorships include Metapack Limited and Belvedere Energy Investments.

Phill Blundell, Chief Executive Officer (aged 52)

Mr Blundell joined the Group as Commercial Director and Finance Director in 2012, and is responsible for driving forward the commercial growth and focus of the Enlarged Group. He was appointed as Chief Executive Officer in 2014. Prior to joining Eagle Eye, Mr Blundell was the Group Finance Director and subsequently Chief Executive Officer of Intelligent Environments Group plc, a digital banking software company, which was acquired by a US private equity house and consequently renamed Parseq plc. Mr Blundell was Acting CEO of Parseq when it was acquired by funds controlled by HarbourVest Partners, LLC in 2011. He qualified as chartered accountant with Coopers & Lybrand in 1988 and is a member of the Institute of Chartered Accountants in England & Wales. Mr Blundell has a BSc In Economics from the London School of Economics.

Steve Rothwell, Founder (aged 39)

Mr Rothwell founded the Group in 2003, and is responsible for the Enlarged Group's vision, strategy, product development and roadmap. Prior to that, he was the founder and Chief Executive Officer of Eagle Eye Technology Limited, a software consultancy business. Before that he was a developer and consultant for Consult Hyperion, developing concepts in the media and payments industries, and a software engineer for Ericsson. Mr Rothwell has a BEng in Electrical and Electronic Engineering from the University of Leicester.

Sir Terry Leahy, Non-executive Director (aged 58)

Sir Terry joined the Group as a non-executive director in 2011. Sir Terry completed a 22 year career at Tesco plc as Chief Executive from 1997 to 2011. He was chosen as Britain's "Business Leader of the Year" in 2003 and the Fortune European Businessman of the Year for 2004. Since 2011 he has focused on investments in early-stage businesses. He is a director of Metapack Limited, the Social Mobility Foundation and the Foundation Years Trust.

Drew Thomson, Proposed Non-executive Director (aged 45)

Mr Thomson will join the Enlarged Group as a non-executive director with effect from Admission. Mr Thomson is a business leader and entrepreneur with a track record in funding, creating, building

and growing international businesses, and is currently the Chief Executive of Starcount. Prior to this, Mr Thomson was Executive Chairman of Iris Worldwide where he led the development and international growth of the Iris group business. He was Director during the period when the business's income increased from £39m to £75m, establishing Iris in 15 key markets globally. Previously to joining Iris, Mr Thomson was a founding partner of Paternoster, the UK's first defined benefit pension scheme risk transfer company. Before setting up Paternoster, he was Chief Executive of Airmiles & BA Miles, and during this time the business transformed from a loss making British Airways subsidiary to a significant profitable stand-alone business, generating in excess of £35m revenue.

Malcolm Wall, Proposed Non-executive Director (aged 57)

Mr Wall will join the Enlarged Group as a non-executive director with effect from Admission. He was previously CEO, and then advisor to the board, of Abu Dhabi Media Company and a founding partner of Redshift Strategy. He is also the former Chief Executive, Content for Virgin Media where he ran Virgin's television proposition, the Virgin Media portal and their television channel groups. Mr Wall joined Virgin from United Business Media, where he was Chief Operating Officer. He has also worked in senior executive roles for a number of ITV companies, including Granada, Anglia and Southern.

The Company intends to appoint a new finance director shortly after Admission.

11. Corporate Governance

The Directors recognise the importance of sound corporate governance and confirm that although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, following Admission, they intend to comply with the QCA Corporate Governance Code (as devised by the QCA in consultation with a number of significant institutional small company investors), to the extent appropriate and practicable for a company of its nature and size. Following Admission, the Board will comprise six Directors of whom two are executive and four non-executive reflecting a blend of different experience and backgrounds. The roles of Chairman (which is a non-executive position) and Chief Executive Officer have been split by the Board and there is a clear division of responsibility between the two. The Board considers Drew Thomson and Malcolm Wall to be independent.

Following Admission, the Board will meet regularly to review, formulate and approve the Enlarged Group's strategy, budgets, and corporate actions and oversee the Enlarged Group's progress towards its goals. It has established audit and remuneration committees with formally delegated duties and responsibilities and with written terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises.

11.1. Audit committee

The Audit Committee will assist the Board in discharging its responsibilities, within agreed terms of reference, with regard to corporate governance, financial reporting and external and internal audits and controls, including, amongst other things, reviewing the Enlarged Group's annual financial statements, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Enlarged Group's internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board. Membership of the Audit Committee comprises Bill Currie, Drew Thomson, Malcolm Wall and Sir Terry Leahy and it is chaired by Malcolm Wall. The Audit Committee will meet formally not less than three times every year and otherwise as required.

11.2. Remuneration committee

The Remuneration Committee is responsible, within agreed terms of reference, for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the executive directors, the company secretary and such other members of the executive management of the Enlarged Group as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options. No Director may be involved in

any decision as to their own remuneration. The membership of the Remuneration Committee comprises Bill Currie, Drew Thomson and Malcolm Wall and the committee is chaired by Drew Thomson. The Remuneration Committee will meet not less than two times a year and at such other times as the chairman of the committee shall require.

12. Reasons for Admission

The Directors believe that Admission will be an important step in the Group's development, assisting by:

- providing the capital to fund the Acquisition;
- raising the Company's profile in its key markets;
- providing working capital to support and accelerate the commercial growth of the Company in the near term;
- providing the potential for access to capital to fund the Company's growth in the medium-to-long term; and
- enabling the Company to incentivise key staff through equity-linked schemes.

13. The Placing and Use of Proceeds

Panmure Gordon has, as agent for the Company and the Selling Shareholders pursuant to the Placing Agreement, conditionally agreed to use its reasonable endeavours to procure placees for the Placing Shares and the Sale Shares at the Placing Price. The Placing Shares and the Sale Shares will be placed with institutional investors introduced by Panmure Gordon.

The Placing Shares will be issued by the Company pursuant to the Placing, representing approximately 18.2 per cent of the Enlarged Issued Share Capital and raising approximately £4.9 million for the Company net of estimated expenses of £1.1 million to the Company. The net proceeds of the Placing will be used to:

- fund the cash consideration of the Acquisition, which will bring valuable IP to extend the capability of the platform, increase the strength of the development team and access new customers; and
- provide working capital for the Enlarged Group to fund expected revenue growth and provide headroom for strategic investment in technology.

The Placing Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid on the Enlarged Issued Share Capital.

The Selling Shareholders have, pursuant to the Placing, agreed to sell the Sale Shares, raising gross proceeds for the Selling Shareholders of £0.7 million before their expenses. The placing of the Sale Shares is being undertaken to assist with post-Admission liquidity in the trading of the Company's Enlarged Issued Share Capital.

The Placing is conditional, *inter alia*, on Admission becoming effective and the Placing Agreement becoming unconditional in all other respects by no later than 8.00 a.m. on 16 April 2014 or such later date (being no later than 31 May 2014) as the Company and Panmure Gordon may determine and the Acquisition Agreement not having been terminated before such time. The Placing Agreement contains provisions entitling Panmure Gordon to terminate the Placing prior to Admission becoming effective. If this right is exercised, the Placing will lapse. The Placing has not been underwritten by Panmure Gordon.

Application will be made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on 16 April 2014.

14. Dividend Policy

The Company is primarily seeking to achieve capital growth for its Shareholders and it is the Board's intention during the current phase of the Enlarged Group's development to retain future distributable profits and only recommend dividends when appropriate and practicable.

15. Share Dealing Code

The Company has adopted, with effect from Admission, a share dealing code for the Directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

16. Share Incentive Arrangements

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation and options have been granted to key employees and directors under the Existing EMI Scheme and the Existing Unapproved Scheme. Following Admission, new options over Ordinary Shares will be granted under the New EMI Scheme and the New Unapproved Scheme. Such new options ("New Share Options") will generally have a life of ten years and the Board will determine the vesting period and any performance conditions at grant. To the extent that the market value of the shares under the New Share Options is within the relevant HMRC limits and the employee satisfies the relevant working time requirements the New Share Options will be granted as EMI options. EMI options carry a favourable tax treatment for employees. Where the limits of the EMI rules have been exceeded or the employee does not satisfy the working time requirement the New Share Options are in the form of unapproved options. On leaving employment for involuntary reason, options can generally only be exercised to the extent vested. On a change of control the vesting of the options is accelerated and they can be exercised in full.

Please refer to paragraphs 7 and 8 of Part VI of this document for further information relating to the terms of the options under the Existing Share Option Schemes and the New Share Option Schemes.

17. Lock-in and Orderly Market Arrangements

Each of the Directors and certain Shareholders holding five per cent. or more of the issued share capital of the Company immediately prior to the Placing, who on Admission will be the holders of 5,347,328 Ordinary Shares in aggregate, representing approximately 26.6 per cent. of the Enlarged Share Capital, have entered into Lock-in Agreements. Under the terms of the Lock-in Agreements, the Directors and these shareholders have undertaken to Panmure Gordon and the Company not to dispose of any interest in any Ordinary Shares owned by them or any connected person prior to the date which is 12 months from the date of Admission (with the exception of any Sale Shares) and, for a further 12 month period, only to dispose of their Ordinary Shares through Panmure Gordon during that period in such a way as to maintain an orderly market, except in certain limited circumstances.

In addition, certain Shareholders holding less than five per cent. of the issued share capital of the Company immediately prior to the Placing, who on Admission will be the holders of 9,221,532 Ordinary Shares in aggregate, representing approximately 45.8 per cent. of the Enlarged Share Capital, have entered into Lock-in Agreements. Under the terms of the Lock-in Agreements, these shareholders have undertaken to Panmure Gordon and the Company not to dispose of any interest in any Ordinary Shares owned by them or any connected person prior to the date which is six months from the date of Admission (with the exception of any Sale Shares) and, for a further six month period thereafter, only to dispose of their Ordinary Shares through Panmure Gordon during that period in such a way as to maintain an orderly market, except in certain limited circumstances.

2ergo Group PLC, who on Admission will hold 1,219,512 Ordinary Shares, representing approximately 6.1 per cent. of the Enlarged Share Capital, has entered into an orderly marketing agreement. Under the terms of the agreement, 2ergo Group PLC has undertaken to Panmure Gordon and the Company,

for a period which is 12 months from the date of Admission, only to dispose of their Ordinary Shares through Panmure Gordon during that period in such a way as to maintain an orderly market, except in certain limited circumstances.

Sir Terry Leahy has entered into an agreement pursuant to which he has undertaken to the Company that he will not sell any of the shares issued to him on 27 March 2014 (as detailed at paragraph 12.11 of Part VI of this document) for a period of three years from that date, and that after this period he will only dispose of such shares at a price that equates to a market capitalisation for the Company of more than £50 million.

18. Admission, Settlement and Dealings

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in Ordinary Shares will commence on 16 April 2014.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer. For private investors who do not trade frequently, this latter course is likely to be more cost-effective.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB.

The ISIN number of the Ordinary Shares is GB00BKF1YD83. The TIDM is EYE.

19. EIS and VCT status

VCTs

Advance assurance has been received from HMRC that a subscription in Placing Shares should be a “qualifying holding” for the purposes of investment by VCTs. The continuing status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Ordinary Shares being held as a “qualifying holding” for VCT purposes throughout the period of ownership. Neither the Company nor the Directors give any warranty, representation or undertaking that any VCT investment in the Company will remain a qualifying holding.

EIS

Advance assurance has been received from HMRC that it would be able to authorise the Company to issue certificates under section 204 of the Income Tax Act 2007 in respect of Ordinary Shares issued to individuals, following receipt from the Company of a properly completed compliance statement (EIS 1 form) within the prescribed time limit stipulated in section 205(4) of the Income Tax Act 2007. The continuing status of the Ordinary Shares as qualifying for EIS purposes will be conditional on the qualifying conditions being satisfied throughout the relevant period of ownership. Neither the Company nor the Directors give any warranty, representation or undertaking that any investment in the Company by way of EIS shares will remain a qualifying investment for EIS purposes. EIS eligibility is also dependent on a Shareholder’s own position and not just that of the Company. Accordingly, prospective investors should take their own advice in this regard.

The Company will not employ any funds raised from EIS Placees or VCT Placees for the purposes of funding the cash consideration of the Acquisition.

The Directors and Proposed Directors consider that the Company or its subsidiaries will have received, in the 12 months immediately prior to the Placing, investments totalling £1,174,042 (including under the SEIS, EIS and from VCTs) pursuant to a measure approved by the European Commission as compatible with Article 107 of the Treaty on the Functioning of the European Union in accordance with the principles laid down in the current Community Guidelines on State Aid to promote Risk Capital

Investments in Small and Medium -sized Enterprises. Accordingly, the Placing will be limited to funds not exceeding £3,500,000 from EIS investors and VCTs in order to not exceed the maximum amount that can be raised annually through risk capital schemes.

20. Taxation Information for Investors

The attention of investors is drawn to the information regarding taxation which is set out in paragraph 26 of Part VI of this document. These details are, however, only intended as a guide to the current taxation law position in the UK. **Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers.**

21. Applicability of the Takeover Code

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in shares were to result in the acquirer and its concert parties holding, in aggregate, interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) interests in shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage interest in the total voting rights in the Company.

Further information on the provisions of the Takeover Code can be found in paragraph 20 of Part VI of this document.

22. Risk Factors

Prospective investors should consider carefully the risk factors described in the section headed "Risk Factors" and set out in Part II of this document in addition to the other information set out in this document and their own circumstances, before deciding to invest in Ordinary Shares.

23. Further Information

Your attention is drawn to Part VI of this document which provides additional information on the Group.

PART II

RISK FACTORS

An investment in the Company is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Company potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including (but not limited to) the risk factors described below, before making any investment decision with respect to the shares. The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Company is exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. If any of the following risks were to materialise, the Enlarged Group's business, financial condition, results, prospects and/or future operations may be materially adversely affected. In such case, the value of the shares may decline and an investor may lose all or part of their investment.

GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

RISKS RELATING TO THE ACQUISITION

Due diligence

The Company has carried out legal, financial and other due diligence in respect of the Enlarged Group's assets. The Board believes that it has carried out sufficient investigations to confirm that the Enlarged Group has satisfactory title to its interests in its assets. However due to the limitations of these due diligence exercises, there is no assurance that, following completion of the Acquisition, all potential risks and liabilities associated with the Enlarged Group's assets will have been identified, uncovered or quantified.

Acquisition Agreement

The Acquisition Agreement contains warranties and indemnities given by 2ergo Group PLC in connection with 2ergo and its business, offering certain protection to the Company. However, the warranties and indemnities, plus the legal, financial and other due diligence carried out on 2ergo, do not guarantee that all material information in respect of 2ergo, or potential liabilities arising from the Acquisition, have been disclosed to or identified by the Company or, that in the event of a claim against 2ergo Group PLC under warranties or indemnities contained in the Acquisition Agreement, the Company would recover any or part of the loss suffered by it.

Integration of Enlarged Group

The Acquisition involves the integration of two businesses that have previously operated independently. The difficulties of combining the companies' operations include, for example, co-ordinating the integration of IT, reporting procedures, accounting systems and controls. Where management's attention is unduly diverted or there are delays or difficulties encountered in connection with the integration of operations, an interruption of, or loss of momentum in, the activities of the Enlarged Group could result. Also, the anticipated financial, commercial or operational synergies expected to arise from the Acquisition may not materialise. Whilst the Directors believe that they have the skills and experience to integrate the two businesses and staff in an efficient and value-adding manner, there is a risk that such occurrence of any of the above listed events may have a material adverse effect on the Enlarged Group's operations, financial condition or prospects.

RISKS RELATING TO THE ENLARGED GROUP

Dependence on key executives and personnel

The Enlarged Group's future development and prospects depends to a significant degree on the experience, performance and continued service of its senior management team particularly the Executive Directors. The Enlarged Group has entered into contractual arrangements with these individuals with the aim of securing the services of each of them. Retention of these services or the identification of suitable replacements, however, cannot be guaranteed. The loss of the services of any of the Executive Directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on the Enlarged Group and its commercial and financial performance and may reduce the value of an investment in the Ordinary Shares.

Technological changes could overtake the products being developed by the Enlarged Group

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

Protection of intellectual property

The Enlarged Group's success and ability to compete effectively are in large part dependent upon exploitation of proprietary technologies and products that the Enlarged Group has developed internally, the Enlarged Group's ability to protect and enforce its intellectual property rights so as to preserve its exclusive rights in respect of its technologies and products, and its ability to preserve the confidentiality of its know-how. The Enlarged Group relies primarily on patent laws to protect its intellectual property rights. Worldwide, the Enlarged Group has access to over 38 patents filed or issued which are owned. No assurance can be given that the Enlarged Group will develop further technologies or products which are patentable or that patents will be sufficiently broad in their scope to provide protection for the Enlarged Group's intellectual property rights against third parties.

There can be no assurance that patents pending or future patent applications will be issued, nor that the lack of any such patents will not have a material adverse effect on the Enlarged Group's ability to develop and market its proposed products, or that, if issued, the Enlarged Group would have the resources to protect any such issued patent from infringement. There is a significant delay between the time of filing of a patent application and the time its contents are made public, and others may have filed patent applications for subject matter covered by the Enlarged Group's pending patent applications without the Enlarged Group being aware of those applications. The Enlarged Group's patent applications may not have priority over patent applications of others and its pending patent

applications may not result in issued patents. Even if the Enlarged Group obtain patents, it may not be valid or enforceable against others. Moreover, even if the Enlarged Group receive patent protection for some or all of their products, those patents may not give the Enlarged Group an advantage over competitors with similar products. There can be no assurance as to the ownership, validity or scope of any patents which have been, or may in the future be, issued to the Enlarged Group or that claims with respect thereto would not be asserted by other parties. Furthermore, the Enlarged Group cannot patent much of the technology that is important to its business. If the Enlarged Group fails to obtain adequate access to, or protection for, the intellectual property required to prosecute its strategy, the Enlarged Group's competitors may be able to take advantage of the Enlarged Group's research and development efforts.

To date, the Enlarged Group has also relied on copyright, trademark and trade secret laws, as well as confidentiality procedures, non-compete and/or work for hire invention assignment agreements and licensing arrangements with its employees, consultants, contractors, customers and vendors, to establish and protect its rights to its technology and, to the best extent possible, control the access to and distribution of its technology, software, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use its technology without authorisation. Once granted, a patent can be challenged both in the patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

Third party disputes relating to the infringement of intellectual property

If the Enlarged Group's competitors file patent applications that claim technology also claimed by the Enlarged Group, the Enlarged Group may have to participate in interference or opposition proceedings to determine the priority of invention. An adverse outcome could subject the Enlarged Group to significant liabilities and require the Enlarged Group either to cease using a technology or to pay licence fees. The Enlarged Group could incur substantial costs in any litigation or other proceedings relating to patent rights, even if it is resolved in the Enlarged Group's favour. Some of the Enlarged Group's competitors may be able to sustain the costs of complex litigation more effectively or for a longer time than the Enlarged Group can because of their greater resources. In addition, uncertainties relating to any patent, pending patent or other intellectual property litigation could have a material adverse effect on the Enlarged Group's ability to market a product, enter into collaborations in respect of the affected products, or raise additional funds.

Policing unauthorised use of the Enlarged Group's patented technologies and products is difficult and expensive. There can be no assurance that the steps the Enlarged Group takes will prevent misappropriation of, or prevent an unauthorised third party from obtaining or using, the technologies and products the Enlarged Group relies on. In addition, effective protection may be unavailable or limited in some jurisdictions. Any misappropriation of the Enlarged Group's proprietary technology, products and intellectual property could have a negative impact on the Enlarged Group's business and its operating results. Litigation may be necessary in the future to enforce or protect the Enlarged Group's rights or to determine the validity or scope of the proprietary rights of others. Litigation could cause the Enlarged Group to incur substantial costs and divert resources and management attention away from its daily business and there can be no guarantees as to the outcome of any such litigation.

The Enlarged Group operates in an evolving market

The Enlarged Group operates in an evolving market. Whilst the Directors believe that the UK market offers the Enlarged Group the best opportunity to develop its proposition where the penetration of mobile devices is high, there is a possibility that there will be a slowdown in mobile commerce growth in the UK or that users of mobile devices will change their behaviour with respect to mobile commerce. The Enlarged Group's services are new and evolving and it is difficult to predict the future growth rates, if any, and size of these markets. Even if the market for the Enlarged Group's products develops as anticipated, the Enlarged Group may face severe competition from other businesses offering similar products and services and there can therefore be no assurance that the Enlarged Group will be able to secure customers for its product and services on acceptable terms and conditions, or successfully adjust the Enlarged Group's strategy to meet the changing market dynamics. Any of these factors could have a materially detrimental effect on the potential growth of the business and its results of operations and therefore financial condition.

As consumer demand for digital coupons has increased, promotional spending has shifted from traditional coupons through traditional channels, such as newspapers and direct mail, to digital coupons. However, it is difficult to predict whether the pace of transition from traditional to digital coupons will continue at the same rate and whether the growth of the digital promotions market will continue. In order for the Enlarged Group to expand its business, the Enlarged Group must appeal to and attract consumers who historically have used traditional promotions to purchase goods or may prefer alternatives to the Enlarged Group's offerings, such as those of the Enlarged Group's competitors. It is possible that digital coupon offerings generally could lose appeal with companies, retailers or consumers. If the Enlarged Group is unable to grow or successfully respond to changes in the digital promotions market, the business of the Enlarged Group could be harmed and results of its operations could be negatively impacted.

Consumer demand for retailer and brand gift cards has continued to increase, expanding into digital gift cards or wallets at the expense of traditional paper and plastic gift cards. However, it is difficult to predict whether the pace of transition from traditional to digital gift cards will continue at the same rate and whether the growth of the digital gift cards market will continue. In order for the Enlarged Group to expand its business, the Enlarged Group must appeal to and attract consumers who historically have used traditional gift cards to purchase goods or may prefer alternatives to the Enlarged Group's offerings, such as those of the Enlarged Group's competitors. It is possible that digital gift card offerings generally could lose appeal with companies, retailers or consumers. In particular, recent events whereby customers have lost credit attached to their gift card due to the respective retailer or consumer brand falling into administration, has caused trust levels of the consumer in gift cards to fall, and consequently the Enlarged Group is reliant on the consumer brands and retailers honouring the gift cards issued for credit and maintaining sufficient levels of consumer trust. If the digital gift card market does not continue to grow or evolve, or the Enlarged Group is unable to successfully respond to changes in the digital gift cards market, the business of the Enlarged Group could be harmed and results of its operations could be negatively impacted.

Failure to maintain and expand integration into retailers' in-store and point of sale systems

The Enlarged Group must continue to maintain and expand its integration into retailers' in-store and point of sale systems in order to increase the attractiveness of the Enlarged Group's products and software to consumer brands, allowing the Enlarged Group to increase revenues and achieve profitability. If consumer brands do not perceive that the Enlarged Group is able to be integrated into a broad range of retailers' in-store or point of sale systems, then the Enlarged Group may fail in attracting or retaining consumer brands to offer digital promotions on the Enlarged Group's platform due to their offers not being redeemed by consumers with the scale and effectiveness that is compelling to them. If this were to happen, revenues generated by the Enlarged Group may not increase to the extent expected or decrease, adversely affecting the Enlarged Group's operating results.

Failure to renew or retain customers within subscription agreements

The Enlarged Group's customers may not renew, or reduce the scope of, their subscriptions for the Enlarged Group's services and products. Renewal rates may decline or fluctuate as a result of a number of factors, including customers' level of satisfaction with the Enlarged Group's products and services and their ability to continue their operations and spending levels. If the Enlarged Group experiences a decline in the renewal rates for customers or they opt for fewer components of the Enlarged Group's offerings or fewer subscriptions, the Enlarged Group's revenue and operating results may be adversely impacted. The Enlarged Group has a large number of recurring customers; however, there are low barriers to exiting existing contracts. Should the Enlarged Group not be able to improve such terms, or make it increasingly difficult to renege on a subscription agreement, and were customers to cancel their subscription agreements with the Enlarged Group, this could materially adversely affect the Enlarged Group's business.

Dependence on third party advertising agencies

A portion of the Group's business is conducted indirectly with third-party advertising agencies acting on behalf of consumer brands and retailers. Third-party advertising agencies are instrumental in assisting consumer brands and retailers to plan and purchase advertising and promotions, and each third-party

advertising agency generally allocates advertising and promotion spend from consumer brands and retailers across numerous channels. The Group does not have exclusive relationships with third-party advertising agencies and the Group depends in part on third-party agencies to work with the Group within marketing campaigns for consumer brands and retailers. While the Group has developed relationships directly with consumer brands and retailers, the Group nevertheless depends in part on third-party advertising agencies to present to their consumer brand and retailer clients the merits of the Group's platform. Inaccurate descriptions of the Group's platform by third-party advertising agencies, over which no control can be assumed, negative recommendations regarding use of the Group's service offerings or failure to recommend the Group's platform at all could harm the Group's business. In addition, if a third-party advertising agency is not satisfied with the Group's platform on a particular campaign or generally, the Group risks losing the business of the consumer brand or retailer for whom the campaign was run, and of other consumer brands and retailers represented by that agency. Since many third-party advertising agencies are affiliated with other third-party agencies in a larger corporate structure, if the Group fails to maintain good relations with one third-party advertising agency in such an organization, the Group may lose business from the affiliated third-party advertising agencies as well.

The Group's sales could be adversely impacted by industry changes relating to the use of third-party advertising agencies. For example, if consumer brands or retailers seek to bring their campaigns in-house rather than using an agency, the Group would need to further develop or originate direct relationships with the consumer brands or retailers, which the Group might not be able to do and which could increase the Group's sales and marketing expenses. Moreover, to the extent that the Group does not have a direct relationship with consumer brands or retailers, the value the Group provides to consumer brands and retailers may be attributed to the third-party advertising agency rather than to the Group, further limiting the Group's ability to develop long-term relationships directly with consumer brands and retailers. Consumer brands and retailers may move from one third-party advertising agency to another, and the Group may lose the underlying business, causing the Group's financial condition and operating results to be adversely affected.

Competition

There can be no guarantee that the Enlarged Group's competitors have not already developed and/or will not develop products and services which are competitive to those supplied by the Enlarged Group or which reduce the appeal of the Enlarged Group's products. There can be no assurances that the availability of any such products and services will not adversely affect future demand for the Enlarged Group's own products and services. The Enlarged Group's competitors may have or develop greater financial, marketing and technological resources than the Enlarged Group enabling them to develop products and services which are competitive to those of the Enlarged Group and to promote them more successfully than the Enlarged Group.

Product risks

The Enlarged Group's business involves providing customers with highly reliable software and services. If the software or services contain undetected defects when first introduced or enhanced, the Enlarged Group may fail to meet its customers' performance requirements or otherwise satisfy the contract specifications. As a result, it may lose customers and/or may become liable to them for damages, and this may expose the Enlarged Group to damage to its reputation. Whilst the Enlarged Group endeavours to negotiate limitations on its liability in its customer contracts, this is not always commercially possible. These eventualities could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations. Additionally, the Enlarged Group is committed to developing products for its customers on a set timeline, however, the pace of progress of the development projects may not be as expected, and the Enlarged Group could fail to meet the customers' timing or performance requirements. As a result, it may lose customers and/or may become liable to them for damages, and this may expose the Enlarged Group to damage to its reputation.

The Enlarged Group has service level commitment obligations with many of its customers in which it provides various guarantees regarding levels of service. The Enlarged Group may not be able to meet these levels of service due to a variety of factors, both in and outside the Enlarged Group's control. If the Enlarged Group fails to provide the levels of service required by the agreements, such customers may be entitled to terminate their contracts or may choose not to enter into new work orders with the

Enlarged Group, and this may also damage the Enlarged Group's reputation and reduce the confidence of the Enlarged Group's customers in its software and services, impairing its ability to retain existing customers and attract new customers.

The Enlarged Group may face claims, online security breaches, loss of business and reputational damage from fraud

Any compromise of the Enlarged Group's systems, security breaches, or data loss may result in the temporary inability of the Enlarged Group to operate its clients' mobile sites and applications, and therefore this may have a detrimental impact on the Enlarged Group's revenues both directly, through the inability of its clients to trade or the Enlarged Group to authenticate offers, and indirectly, through loss of confidence in the security of the Enlarged Group's platform which deters new potential clients for the Enlarged Group and may result in existing clients terminating contracts with the Enlarged Group. Security breach and fraud remain key concerns in the online payments world and any security breach or fraud event might deter clients or potential clients from purchasing goods via online voucher and offer content; any move away from the mobile channel for purchasing goods would have a negative impact on the Enlarged Group's growth prospects and revenues. Security breach and fraud may also lead to regulatory investigations, sanctions (including fines) and litigation with clients and end users. Any regulatory investigation or litigation may be costly and may divert efforts and attention of the Enlarged Group's management and other personnel and resources, may cause wider reputational damage to the Enlarged Group and may result in existing clients terminating contracts and deter potential new clients from becoming actual clients.

The Group is at an early stage of operations

The Group is at a relatively early stage of its commercial development. The Group's future success will depend on the ability of the Directors to implement their objectives and strategy. Whilst the Directors are confident about the Group's prospects, there is no certainty that anticipated revenues or growth can be achieved. The Group has over three years of trading history, but this may not be operating experience upon which its performance and prospects during its anticipated expansion can be properly compared and evaluated against, and it has experienced operating losses during that period. The Group's ability to become and remain profitable depends on a number of factors, including, in particular, increasing the regularity of its transactions, its ability to scale operations and the successful integration of the Acquisition. The rapidly evolving markets in which the Group operates, its limited experience and progress in growing its customer base make it difficult for the Group to forecast revenues accurately. As a result, the Group could experience budgeting and cash flow management problems, unexpected fluctuations in its results of operations and other difficulties, any of which would make it difficult for the Group to gain and maintain profitability. Potential investors should be aware of the risks associated with an investment in companies with limited trading histories. There can be no assurance that the Group will operate profitably, produce a reasonable return, if any, on investment, or remain solvent. If the Group's strategy proves unsuccessful, Shareholders could lose all or part of their investment.

Dependence on partners

The Enlarged Group has partnered with retail hardware and service providers to enhance its offering. There is a risk that these partnerships may end, which may result in the loss of customers and an adverse effect on the Enlarged Group's performance or business prospects. Additionally, there is the possibility that any embedded IP that is generated on mutual projects with a partner may not be properly or correctly assigned. Were the partnership to end, then this may lead to disputes as to where the ownership of the IP lies. If the Enlarged Group were to lose a dispute of this nature, then it may suffer a loss of IP generated within the partnerships which could materially adversely affect the Enlarged Group's business.

Data privacy

The Enlarged Group's operations in the United Kingdom are subject to a number of laws relating to data privacy, including the UK Data Protection Act 1998 and the Privacy and Electronic Communications (EC Directive) Regulations 2003. The requirements of this legislation may affect the Enlarged Group's ability to collect and use personal data in a way that is of commercial use to the

Enlarged Group, if the Enlarged Group does not continue to ensure its adherence to appropriate compliance procedures. Furthermore, the legislation may make it hard for the Enlarged Group to market its business, particularly by e-mail. Breach of data privacy legislation could result in the Enlarged Group being subjected to claims from its users that it has infringed their privacy rights, and it could face administrative proceedings initiated against it by the UK data protection regulator, the Office of the Information Commissioner ("OIC"). In addition, any enquiries made, or proceedings initiated by individuals or the OIC may lead to negative publicity for the Enlarged Group, which could materially adversely affect its business.

The requirements of these laws may affect the Enlarged Group's ability to collect and use personal data for legitimate commercial purposes, if the Enlarged Group does not continue to ensure its adherence to appropriate compliance procedures, they may affect its operations in the event of a data incident. Furthermore, these laws may make it hard for the Enlarged Group to market its business, particularly by e-mail. Data breach laws could result in the Enlarged Group being subjected to claims from its users that it has infringed upon their privacy rights, and it could also face administrative proceedings, fines and penalties from federal and state regulatory authorities. In addition, any inquiries or claims from individuals or proceedings, fines and penalties from federal and state regulatory authorities may lead to negative publicity for the Enlarged Group, which could materially adversely affect its business.

Changes in applicable laws and regulations

Laws and regulations governing internet-related services, related communication services and information technology, e-commerce, the processing of personal data, the processing of payment card data and mobile commerce in the United Kingdom continue to evolve and, depending on the evolution of such regulations, may adversely affect the Enlarged Group's business.

In particular, the laws regarding consumer protection are continuing to evolve, with much more significant fines proposed for breaches in data protection laws which, depending on the evolution of such laws and regulations, may adversely affect the Enlarged Group's business.

Ability to recruit and retain skilled personnel

The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. Finding and hiring any additional personnel and replacements could be costly and might require the Enlarged Group to grant significant equity awards or other incentive compensation, which could adversely impact its financial results, and there can be no assurance that the Enlarged Group will have sufficient financial resources. Effective product development and innovation, upon which the Enlarged Group's success is dependent, is in turn dependent upon attracting and retaining talented technical, scientific and marketing personnel, who represent a significant asset and serve as the source of the Enlarged Group's technological and product innovations. In addition, to expand the Enlarged Group's customer base, increase sales and achieve growth generally, the Enlarged Group will need to hire additional qualified sales personnel as well as recruit further personnel in administrative and support functions. If the Enlarged Group is unable to hire, train and retain such personnel in a timely manner an undue burden could be placed on existing personnel, the development and introduction of the Enlarged Group's products could be delayed and its ability to sell its products and otherwise to grow its business will be impaired and the delay and inability may have a detrimental effect upon the performance of the Enlarged Group.

Financial controls and internal reporting procedures

The Group has established financial controls and internal reporting procedures that the Board considers appropriate for the Group's current size and stage of development and, as stated in paragraph 10 of Part I, the Enlarged Group is seeking to recruit a Finance Director. As the Enlarged Group grows, it may be necessary to adopt systems and controls more appropriate for a larger organisation, including the implementation of appropriate procedures to manage the risk emanating from foreign currency fluctuations as well as establishment of a new accounting system. Any failure by management to manage effectively the implementation of these systems and controls as the Enlarged Group grows could have an adverse effect on the Enlarged Group's business and financial performance and hinder its ability to prepare reliable financial statements in the future.

Disaster recovery plans may not be sufficient

The Enlarged Group depends on the performance, reliability and availability of its properties, plant, labour and information technology systems. The Enlarged Group may not be able to access its facilities as a result of events beyond the control of the Directors, such as extreme weather conditions, flood, fire, theft or terrorist action. Any damage to or failure of its equipment and/or systems could also result in disruptions to the Enlarged Group's operations. The Enlarged Group's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover any loss in full or in part (including losses resulting from business interruptions) or damage that it suffers fully or at all. The occurrence of one or more of these events could have a material adverse effect on the Enlarged Group's business, financial position or prospects.

Litigation risk

Whilst the Group has taken, and the Company intends that the Enlarged Group will continue to take, such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, the Directors cannot preclude the possibility of litigation being brought against the Enlarged Group.

There can be no assurance that claimants in any litigation proceedings will not be able to devote substantially greater financial resources to any litigation proceedings or that the Enlarged Group will prevail in any such litigation. Any litigation, whether or not determined in the Enlarged Group's favour or settled by the Enlarged Group, may be costly and may divert the efforts and attention of the Enlarged Group's management and other personnel from normal business operations.

Legal risk

Legal risks include the inability to enforce security arrangements, an absence of adequate protection for intellectual property rights, an inability to enforce foreign judgments relating to contracts entered into by the Enlarged Group that are governed by law outside England and Wales, absence of a choice of law, and an inability to refer disputes to arbitration or to have a choice with regard to arbitration rules, venue and language. Mitigation measures for these risks are limited.

The Enlarged Group's counterparties may become insolvent

There is a risk that parties with whom the Enlarged Group trades or has other business relationships (including partners, customers, suppliers, subcontractors and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Enlarged Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Enlarged Group.

Exchange rate risk

Exchange rate fluctuations could have a material adverse effect on the Enlarged Group's profitability or the price competitiveness of its products and services. There can be no guarantee that the Enlarged Group would be able to compensate or hedge against such adverse effects and therefore negative exchange rate effects could have a material adverse effect on the Enlarged Group's business and prospects, and its financial performance.

Tax risk

Any change in the Enlarged Group's tax status or in taxation legislation in the UK or elsewhere could affect the Enlarged Group's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in shares are based on current law and practice, which is subject to change. The taxation of an investment in the Enlarged Group depends on the individual circumstances of investors, further details of which are below under Taxation.

Risks relating to the Ordinary Shares

Suitability

An investment in the Ordinary Shares may not be suitable for all recipients of this document, and is only appropriate for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in the Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets and should only constitute part of a diversified investment portfolio. Potential investors should consider carefully whether investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances. Before making any final decision, potential investors in any doubt should consult with an investment adviser authorised under the FSMA who specialises in advising on investments of this nature.

Trading market for the Ordinary Shares

The share price of publicly traded companies, including those listed on AIM, can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their shares will be influenced by a large number of factors, which could include, but not limited to, the performance of both the Enlarged Group's and its competitors' businesses, variations in the operating results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, large purchases or sales of Ordinary Shares, legislative changes and general economic, political and regulatory conditions. Prospective investors should be aware that the value of an investment in the Company may go down as well as up. Investors may therefore realise less than, or lose all of, their investment. The volume of shares traded on AIM can be limited and this may restrict the ability of Shareholders to dispose of Ordinary Shares at any particular time. It may be more difficult for an investor to realise his investment in the Enlarged Group than in a company whose shares are quoted on the Official List. The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List.

EIS and VCT status

The Company has received, based on information supplied, advance assurance from HM Revenue and Customs that a subscription in Placing Shares by individuals should qualify under the EIS and that subscription by VCTs in Ordinary Shares should be regarded as a subscription in eligible shares and form a qualifying holding under the relevant legislation.

The advance assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Ordinary Shares. The continuing availability of EIS relief and the status of the relevant Placing Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making their investment (under EIS) and, for VCT purposes, throughout the period the Ordinary Shares are held as a "qualifying holding". Neither the Company nor the Company's advisers are giving any warranties or undertakings that any relief under the EIS or that VCT qualifying status will be available in respect of this Placing, or that in due course such relief or status will not be withdrawn.

Circumstances may arise where the Board believes that the interests of the Company are not best served by acting in a way that preserves the EIS or VCT qualifying status (if granted). In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status. Should the law regarding the EIS or VCTs change then any relief or qualifying status previously obtained may be lost.

Any person who is in any doubt as to their taxation position should consult their professional taxation adviser in order that they may fully understand how the rules apply in their individual circumstances.

Substantial sales of Ordinary Shares

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the Lock-in Agreements, details of which are set out in paragraph 17 of Part I of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

Additional capital and dilution

The Directors do not currently anticipate that the Company will require additional capital to further its strategy as outlined in this document. Nevertheless, it is possible that the Company will need or choose to raise extra capital in the future to finance the development of new products or enhancements, to develop fully the Company's business, to take advantage of acquisition opportunities or respond to new competitive pressures. If the Company is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its development. Additionally, it is difficult for the Directors to predict the timing and amount of capital required to finance the Company's growth through future stages of development with accuracy. The Company may, in the future, need to raise further equity funds to finance Eagle Eye's growth and working capital requirements.

If additional funds are raised through the issue of new equity or equity-linked securities of Eagle Eye other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher.

Taxation

The attention of potential investors is drawn to paragraph 26 of Part VI of this document. The tax rules, including stamp duty provisions and their interpretation relating to an investment in the Enlarged Group, may change during the life of the Enlarged Group.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on investors' individual circumstances. Any change in the Enlarged Group's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Enlarged Group, its ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning taxation of the Enlarged Group and its investors are based on current tax law and practice which is subject to change.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined, their personal circumstances and the financial resources available to them.

Eagle Eye has not paid dividends in the past

The Group has not paid dividends in the past. The declaration and payment of any dividends in the future and the amount of any future dividends will depend upon the results of operations, financial conditions, cash requirements, future prospects, profits available for distribution and other factors deemed by Directors to be relevant at the time. Subject to English law, the Shareholders may declare a dividend at a general meeting upon the recommendation of the Board. The Shareholders may declare a smaller dividend than recommended by the Board but they may not declare a larger dividend.

Significant shareholders

Following Admission, the Directors will, in aggregate, hold approximately 26.6 per cent. of the Enlarged Share Capital and may be able to exert significant influence over the Company in respect of its corporate affairs requiring shareholder approval.

No guarantee that the Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Forward-looking Statements

Certain statements contained in this document may constitute forward-looking statements. Such statements include, amongst other things, statements regarding the Company's or management's beliefs, expectations, estimations, plans, anticipations and similar statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document and there can be no assurance that the results and events contemplated by such forward-looking statements will, in fact, occur. The Company and the Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein, or to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, save as required to comply with any legal or regulatory obligations (including the AIM Rules).

PART III

HISTORICAL FINANCIAL INFORMATION ON EAGLE EYE SOLUTIONS LIMITED

SECTION A – ACCOUNTANT’S REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON EAGLE EYE SOLUTIONS LIMITED

The following is the full text of a report on Eagle Eye Solutions Limited from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors and Proposed Directors of Eagle Eye Solutions Group PLC.



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The Directors and Proposed Directors
Eagle Eye Solutions Group PLC
3000 Cathedral Hill
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GU2 7YB

10 April 2014

Dear Sirs,

Eagle Eye Solutions Limited

We report on the financial information set out in Section B of this Part III of the Admission Document dated 10 April 2014 ("Admission Document") of Eagle Eye Solutions Limited. This financial information has been prepared for inclusion in the Admission Document of Eagle Eye Solutions Group PLC on the basis of the accounting policies set out at Note 2 to the financial information. This report is required by paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the six months ended 31 December 2012 and accordingly do not express an opinion thereon.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, or consenting to its inclusion in the Admission Document.

Responsibilities

The Directors and Proposed Directors of Eagle Eye Solutions Group PLC are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Eagle Eye Solutions Limited as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347.

A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London, EC4A 4AB

SECTION B – HISTORICAL FINANCIAL INFORMATION ON EAGLE EYE SOLUTIONS LIMITED

Eagle Eye Solutions Limited

Statements of Comprehensive Income

	Notes	Year ended 30 June 2011 £ Audited	Year ended 30 June 2012 £ Audited	Year ended 30 June 2013 £ Audited	6m to 31 Dec 2012 £ Unaudited	6m to 31 Dec 2013 £ Audited
Revenue	5	242,519	581,196	705,248	343,608	603,835
Cost of sales	6	(76,090)	(311,898)	(140,868)	(80,281)	(100,608)
Gross profit		166,429	269,298	564,380	263,327	503,227
Administrative expenses	7	(294,014)	(829,042)	(1,134,457)	(567,776)	(937,364)
Operating loss		(127,585)	(559,744)	(570,077)	(304,449)	(434,137)
Finance income/(costs)		382	2,653	196	197	(185)
Share of profit of joint venture accounted for using the equity method	12	—	—	—	—	—
Loss before tax		(127,203)	(557,091)	(569,881)	(304,252)	(434,322)
Tax	9	—	—	—	—	—
Loss for the year and total comprehensive loss for the year attributable to owners of Eagle Eye Solutions		<u>(127,203)</u>	<u>(557,091)</u>	<u>(569,881)</u>	<u>(304,252)</u>	<u>(434,322)</u>

Eagle Eye Solutions Limited

Statements of Financial Position

	Notes	At 30 June 2011 £ Audited	At 30 June 2012 £ Audited	At 30 June 2013 £ Audited	At 31 Dec 2013 £ Audited
Assets					
Non-current assets					
Intangible assets	10	81,500	247,125	513,250	633,688
Property, plant and equipment	11	15,892	27,282	19,743	16,133
Investment in Joint Venture	12	51	—	—	—
		<u>97,443</u>	<u>274,407</u>	<u>532,993</u>	<u>649,821</u>
Current assets					
Trade and other receivables	13	78,689	299,413	270,553	473,699
Cash and cash equivalents	14	1,615,208	769,996	1,408,357	1,154,738
		<u>1,693,897</u>	<u>1,069,409</u>	<u>1,678,910</u>	<u>1,628,437</u>
Total assets		<u>1,791,340</u>	<u>1,343,816</u>	<u>2,211,903</u>	<u>2,278,258</u>
Current liabilities					
Trade and other payables	15	181,612	286,219	203,201	635,483
		<u>181,612</u>	<u>286,219</u>	<u>203,201</u>	<u>635,483</u>
Total Liabilities		<u>181,612</u>	<u>286,219</u>	<u>203,201</u>	<u>635,483</u>
Net Assets		<u>1,609,728</u>	<u>1,057,597</u>	<u>2,008,702</u>	<u>1,642,775</u>
Equity					
Share capital	18	734	734	853	853
Share premium account	18	1,854,595	1,854,595	3,302,892	3,302,892
Other reserves		110,662	115,622	188,192	256,587
Retained earnings		(356,263)	(913,354)	(1,483,235)	(1,917,557)
Total equity attributable to owners of Eagle Eye Solutions		<u>1,609,728</u>	<u>1,057,597</u>	<u>2,008,702</u>	<u>1,642,775</u>

Eagle Eye Solutions Limited

Statements of Changes in Equity

	Share capital £	Share premium account £	Other reserves £	Retained earnings £	Total equity £
Balance at 1 July 2010	526	199,807	—	(229,060)	(28,727)
Total comprehensive loss for the year	—	—	—	(127,203)	(127,203)
<i>Transactions with shareholders:</i>					
Issue of share capital	208	1,654,788	—	—	1,654,996
Capital contribution	—	—	110,662	—	110,662
Balance at 30 June 2011 - Audited	734	1,854,595	110,662	(356,263)	1,609,728
Total comprehensive loss for the year	—	—	—	(557,091)	(557,091)
<i>Transactions with shareholders:</i>					
Share options charge	—	—	4,960	—	4,960
Balance at 30 June 2012 - Audited	734	1,854,595	115,622	(913,354)	1,057,597
Total comprehensive loss for the year	—	—	—	(569,881)	(569,881)
<i>Transactions with shareholders:</i>					
Issue of share capital	119	1,448,297	—	—	1,448,416
Share options charge	—	—	72,570	—	72,570
Balance at 30 June 2013 - Audited	853	3,302,892	188,192	(1,483,235)	2,008,702
Balance at 30 June 2012 – Audited	734	1,854,595	115,622	(913,354)	1,057,597
Total comprehensive loss for the period	—	—	—	(304,252)	(304,252)
<i>Transactions with shareholders:</i>					
Share options charge	—	—	32,382	—	32,382
Balance at 31 Dec 2012 - Unaudited	734	1,854,595	148,004	(1,217,606)	785,728
Balance at 30 June 2013 - Audited	853	3,302,892	188,192	(1,483,235)	2,008,702
Total comprehensive loss for the period	—	—	—	(434,322)	(434,322)
<i>Transactions with shareholders:</i>					
Share options charge	—	—	68,395	—	68,395
Balance at 31 Dec 2013 - Audited	853	3,302,892	256,587	1,917,557	1,642,775

Eagle Eye Solutions Limited

Statements of Cash Flow

	Year ended 30 June 2011 £ Audited	Year ended 30 June 2012 £ Audited	Year ended 30 June 2013 £ Audited	6m to 31 Dec 2012 £ Unaudited	6m to 31 Dec 2013 £ Audited
Cash flow from operating activities:					
Operating loss	(127,585)	(559,744)	(570,077)	(304,449)	(434,137)
Adjustments for:					
- Depreciation	5,188	12,066	14,431	6,759	7,706
- Amortisation of intangible assets	—	20,375	66,875	33,438	75,063
- Share options expense	—	4,960	72,570	32,382	68,395
Operating cash flow before movements in working capital	(122,397)	(522,343)	(416,201)	(231,870)	(282,973)
Decrease/(increase) in trade and other receivables	(76,349)	(220,673)	28,860	(14,576)	(203,140)
Increase/(decrease) in trade and other payables	205,752	104,607	(83,018)	202,768	432,275
Net cash used in operating activities	7,006	(638,409)	(470,359)	(43,678)	(53,838)
Cash flow from investing activities:					
Interest received	382	2,653	196	197	(185)
Purchase of investments	(51)	—	—	—	—
Purchases of property, plant and equipment	(20,892)	(23,456)	(6,892)	(2,126)	(4,096)
Expenditure on intangible assets	(81,500)	(186,000)	(333,000)	(80,000)	(195,500)
Net cash used in investing activities	(102,061)	(206,803)	(339,696)	(81,929)	(199,781)
Cash flow from financing activities:					
Proceeds from issuance of ordinary shares	1,634,832	—	1,448,416	—	—
Net cash from financing activities	1,634,832	—	1,448,416	—	—
Net increase /(decrease) in cash and cash equivalents	1,539,777	(845,212)	638,361	(125,607)	(253,619)
Cash and cash equivalents at beginning of period	75,431	1,615,208	769,996	769,996	1,408,357
Cash and cash equivalents at end of period	1,615,208	769,996	1,408,357	644,389	1,154,738

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

1. Basis of preparation

Eagle Eye Solutions Limited ("Eagle Eye Solutions") was incorporated on 28 April 2003 and is domiciled in England, with its registered office located at 5 New Street Square, London, EC4A 3TW.

Eagle Eye Solutions' principal activities are the provision of retail technology software and related services.

This historical financial information ("Historical Financial Information") has been prepared on a going concern basis under the historical cost convention, and is in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and early adopted as at the time of preparing this Historical Financial Information and in accordance with the provisions of the Companies Act 2006.

The preparation of Historical Financial Information requires the Directors and Proposed Directors to exercise their judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

The Historical Financial Information in this Part does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Eagle Eye Solution's accounting period ends on 30 June annually.

The presentational and functional currency of Eagle Eye Solutions is UK pound sterling.

a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2013 and not early adopted

The IASB and IFRIC have issued the following standards and interpretations with effective dates as noted below:

Standard	Key requirements	Effective date (for annual periods beginning on or after)
IFRS 9, Financial Instruments	The standard is the first standard issued as part of a wider project to replace IAS 39. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2015

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

IFRS 10, Consolidated Financial Statements	The standard's objective is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2014
IFRS 11, Joint Arrangements	IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.	1 January 2014
IFRS 12, Disclosures of interests in Other Entities	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2014
IAS 27 (revised 2011), Separate Financial Statements	IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	1 January 2014
IAS 28 (revised 2011), Associates and Joint Ventures	IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	1 January 2014
IAS 32, Offsetting Financial Assets and Financial Liabilities	The amendments clarify existing application issues relating to the offsetting requirements.	1 January 2014

It is expected that none of the above interpretations would have a material impact on this Historical Financial Information if applied.

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 Going concern

As part of their going concern review the Directors and Proposed Directors have followed the guidelines published by the Financial Reporting Council entitled "Going Concern and Liquidity Risk Guidance for UK Companies 2009".

The Directors and Proposed Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of this Historical Financial Information. In developing these forecasts the Directors and Proposed Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors and Proposed Directors are confident that Eagle Eye Solutions has sufficient working capital to honour all of its obligations to creditors as and when

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

they fall due. Accordingly, the Directors and Proposed Directors continue to adopt the going concern basis in preparing the Historical Financial Information.

2.2 Revenue recognition

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

- Analytics and development revenue is recognised on a percentage of completion basis using estimates. A project typically takes 3-4 months and where such a project spans a period end, Eagle Eye Solutions recognises accrued income on the Statement of Financial Position to reflect the service provided on a stage of completion basis.
- License and support fees are recognised on a monthly basis and are either invoiced on a monthly or annual basis, in which case a portion is recognised in deferred income on the Statement of Financial Position.
- Couponing and voucher revenue is recognised on a monthly basis based on a set fee or on a volume basis.

2.3 Property, plant and equipment

Purchased equipment and software is stated at cost less accumulated depreciation and any impairment losses.

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

IT equipment and software 33-50% per annum, straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.4 Internally-generated development intangible assets

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

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

Internally-generated development intangible assets are amortised on a straight-line basis over their useful lives. Amortisation commences in the financial year following the financial year of capitalisation. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Development costs 25% per annum, straight line

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

2.5 Impairment of tangible and intangible assets

At each statement of financial position date, Eagle Eye Solutions reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, Eagle Eye Solutions estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.6 Financial Instruments

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

Financial assets

(a) Trade and other receivables

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

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown in the financial information as 'loans and receivables'.

Financial liabilities and equity

(c) Trade and other payables

Trade payables are recognised at their fair value. Trade and other payables are shown in the financial information as 'other financial liabilities'.

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(d) Equity instruments

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

2.7 Leases

Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease, except where another more systematic basis is more representative of the time pattern in which in which economic benefits from the lease asset are consumed.

2.8 Current and deferred income tax

The tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Eagle Eye Solutions' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the dates of the Statements of Financial Position.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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2.9 Share-based payments

Eagle Eye Solutions issues equity-settled share-based payments to certain employees and others under which Eagle Eye Solutions receives services as consideration for equity instruments (options) in Eagle Eye Solutions. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense in Eagle Eye Solutions' Statement of Comprehensive Income over the vesting period on a straight-line basis, based on Eagle Eye Solutions' estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation is adjusted, based on the Directors' and Proposed Directors' best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

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

When the options are exercised Eagle Eye Solutions issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.10 Operating Segments

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

2.11 Accounting for Joint Venture

Joint ventures are entities which are jointly controlled. Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is originally recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit and loss of the investee after the date of acquisition. Eagle Eye Solutions' investment in joint venture includes any goodwill to the extent identified on acquisition.

If the ownership interest in a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss where appropriate.

Eagle Eye Solutions' share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When Eagle Eye Solutions' share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, Eagle Eye Solutions does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Eagle Eye Solutions determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, Eagle Eye Solutions calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount and recognises the amount in profit or loss.

3. Financial Risk Management

3.1 Financial risk factors

Eagle Eye Solutions' activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Eagle Eye Solutions' overall risk management programme focuses on the unpredictability

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of financial markets and seeks to minimise potential adverse effects on Eagle Eye Solutions' financial performance.

Risk Management is carried out by management under policies approved by the Directors and Proposed Directors. The Directors provide principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, non-derivative financial instruments and investment of excess liquidity. Management identifies and evaluates financial risks based on the principles and policies.

(a) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(b) Credit risk

Credit risk is the financial loss to Eagle Eye Solutions if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from Eagle Eye Solutions' cash and cash equivalents and receivables balances.

(c) Liquidity risk

Liquidity risk is the risk that Eagle Eye Solutions will not be able to meet its financial obligations as they fall due. This risk relates to Eagle Eye Solutions' prudent liquidity risk management and implies maintaining sufficient cash reserves. Management monitors rolling forecasts of Eagle Eye Solutions' liquidity and cash and cash equivalents on the basis of expected cash flow.

3.2 Capital risk management

Eagle Eye Solutions' capital structure is comprised entirely of shareholders' equity.

Eagle Eye Solutions' objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of Eagle Eye Solutions is managed and adjusted to reflect changes in economic conditions.

Eagle Eye Solutions funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders equity. There are no externally imposed capital requirements.

Financing decisions are made by the Directors and Proposed Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet Eagle Eye Solutions' commitments and development plans.

3.3 Fair value estimation of financial assets and liabilities

The carrying value of trade receivables and payables are assumed to approximate their fair values because of the short term nature of such assets.

4. Critical accounting estimates and judgements

The preparation of this historical financial information requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported amounts of revenue during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting period are outlined below:

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4.1 Recoverability of internally-generated intangible assets

In each of the years represented in this financial information, there is a considerable balance in non-current assets relating to capitalised development costs. Eagle Eye Solutions' accounting policy covering the potential impairment of intangible assets is covered in note 2.5 to this financial information.

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

4.2 Share based payment charge

During the years ended 30 June 2012 and 30 June 2013, and six months ended 31 December 2013, Eagle Eye Solutions issued a number of share options to certain employees. The Black Scholes model was used to calculate the appropriate charge for that and subsequent years.

The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

The total charge recognised in the year to 30 June 2011 is £nil, year to 30 June 2012 £4,960, year to 30 June 2013 £72,570, six months to 31 December 2012 £32,382, and six months to 31 December 2013 £68,395. Further information on share options can be found in notes 8, 18, and 19.

4.3 Capitalisation and amortisation of development costs

As disclosed in note 10, the Directors and Proposed Directors consider that certain development costs met the criteria for recognition as an intangible asset in accordance with the criteria detailed in IAS 38. The recognition criteria on which this judgement was made is given in more detail in note 2.4.

The capitalised development costs are amortised over the Directors' and Proposed Directors' estimate of the useful economic life of the asset. More details are disclosed in notes 2.4 and 10.

5. Segment information

There is only one operating segment.

Eagle Eye Solutions' revenue from external customers by geographical location of customer is detailed below:

	Year ended 30 June 2011 £ Audited	Year ended 30 June 2012 £ Audited	Year ended 30 June 2013 £ Audited	6m to 31 Dec 2012 £ Unaudited	6m to 31 Dec 2013 £ Audited
Revenue					
UK	241,520	540,446	603,246	284,882	509,375
Asia	—	—	102,002	58,726	94,399
Rest of world	999	40,750	—	—	61
Total revenue	242,519	581,196	705,248	343,608	603,835

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6. Cost of sales

An analysis of cost of sales by nature is shown in the table below.

	Year ended 30 June 2011 £ Audited	Year ended 30 June 2012 £ Audited	Year ended 30 June 2013 £ Audited	6m to 31 Dec 2012 £ Unaudited	6m to 31 Dec 2013 £ Audited
Subcontracted costs	31,860	226,379	34,886	19,600	34,974
Redemption transaction costs	27,747	4,890	(1,804)	540	10,253
Merchant account bank charges	—	25,132	36,244	21,869	17,035
Data centre costs	—	34,495	35,229	17,615	17,615
SMS issue costs	5,955	7,901	12,138	7,503	4,056
Other costs	10,528	13,101	24,175	13,154	16,675
Total cost of sales	76,090	311,898	140,868	80,281	100,608

7. Administrative expenses

An analysis of administrative expenses by nature is shown in the tables below.

Administrative expenses:

	Year ended 30 June 2011 £ Audited	Year ended 30 June 2012 £ Audited	Year ended 30 June 2013 £ Audited	6m to 31 Dec 2012 £ Unaudited	6m to 31 Dec 2013 £ Audited
Depreciation of property plant & equipment	5,188	12,066	14,431	6,759	7,706
Amortisation of intangible assets	—	20,375	66,875	33,438	75,062
Operating lease-rentals	—	26,654	46,255	20,105	40,458
Staff Costs (note 8)	119,644	443,196	618,883	308,796	552,967
PR, Advertising, Trade Shows	8,584	89,425	64,853	31,454	29,510
Professional Fees	30,246	59,010	25,201	13,673	63,164
Travel & Entertainment	16,754	22,615	30,090	9,595	50,874
Server hosting	13,900	37,040	41,777	18,787	28,253
Patent Fees	27,893	28,746	75,624	57,097	16,042
Telephone	4,429	6,922	9,420	4,479	7,439
Insurance	2,001	7,175	28,374	13,887	18,373
Software Licences	1,283	4,753	9,404	5,048	9,740
Auditors Fees	27,675	19,250	21,920	15,048	16,500
Other	36,417	51,815	81,350	29,610	21,276
Administrative expenses	294,014	829,042	1,134,457	567,776	937,364

8. Staff Costs

The average numbers of staff including executive directors employed by Eagle Eye Solutions during each period are as shown below.

	Year ended 30 June 2011 No. Audited	Year ended 30 June 2012 No. Audited	Year ended 30 June 2013 No. Audited	6m to 31 Dec 2012 No. Unaudited	6m to 31 Dec 2013 No. Audited
Directors	1	1	3	3	2
Sales and Marketing	1	4	4	4	6
Operations	1	3	3	3	4
Technical	—	2	4	3	7
Administration	—	1	1	1	1
	3	11	15	14	20

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Their aggregate remuneration comprises:

	Year ended 30 June 2011 £ Audited	Year ended 30 June 2012 £ Audited	Year ended 30 June 2013 £ Audited	6m to 31 Dec 2012 £ Unaudited	6m to 31 Dec 2013 £ Audited
Wages and salaries	148,018	553,969	745,824	321,048	595,591
Social security costs	17,129	64,612	86,090	37,671	70,912
Holiday pay accrual	4,497	5,655	11,399	(7,305)	(16,431)
Share option charge	—	4,960	72,570	32,382	68,395
Development costs capitalised (excluding 3 rd party)	(50,000)	(186,000)	(297,000)	(75,000)	(165,500)
Staff costs	119,644	443,196	618,883	308,796	552,967

The remuneration of the directors, who are the key management personnel of Eagle Eye Solutions, is shown within note 20 – Related Parties.

Eagle Eye Solutions Limited operates a stakeholder pension scheme, under which employees can make contributions, however, the Company does not. No staff are currently members.

9. Income tax expense

	Year ended 30 June 2011 £ Audited	Year ended 30 June 2012 £ Audited	Year ended 30 June 2013 £ Audited	6m to 31 Dec 2012 £ Unaudited	6m to 31 Dec 2013 £ Audited
Current tax:					
Current tax on profits for the year	—	—	—	—	—
Total current tax expense	—	—	—	—	—
Deferred tax:					
Origination and reversal of temporary differences	—	—	—	—	—
Total deferred tax expense	—	—	—	—	—
Total income tax expense	—	—	—	—	—

Tax on Eagle Eye Solutions' 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:

	Year ended 30 June 2011 £ Audited	Year ended 30 June 2012 £ Audited	Year ended 30 June 2013 £ Audited	6m to 31 Dec 2012 £ Unaudited	6m to 31 Dec 2013 £ Audited
Loss before tax	(127,203)	(557,091)	(569,881)	(304,252)	(434,322)
Loss before taxation multiplied by the applicable rate of corporation tax (see below)	(34,981)	(142,058)	(135,347)	(73,020)	(99,894)
Expenses not deductible for tax purposes	—	191	1,128	—	—
Capital allowances (in excess of)/less than depreciation	—	(2,905)	1,791	—	—
Unrelieved tax losses and other deductions arising in the period	34,981	144,772	132,428	73,020	99,894
Income tax expense	—	—	—	—	—

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The applicable rate of corporation tax applied in the table above was as follows:

- year ended 30 June 2011 27.50%,
- year ended 30 June 2012 25.50%,
- year ended 30 June 2013 23.75%,
- 6 months ended 31 December 2012 24%,
- 6 months ended 31 December 2013 23%

As at 31 December 2013, Eagle Eye Solutions has unused tax losses of £1,845,000 (30 June 2013: £1,845,000, 31 December 2012: £1,126,000, 30 June 2012: £1,126,000, 30 June 2011: £403,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses as it is not considered probable that there will be future taxable profits available.

10. Intangible assets

	Development Costs £
Cost:	
At 1 July 2010	—
Additions	81,500
At 30 June 2011 - audited	81,500
Additions	186,000
At 30 June 2012 - audited	267,500
Additions	333,000
At 30 June 2013 - audited	600,500
Additions	195,500
At 31 Dec 2013 - audited	796,000
Amortisation:	
At 1 July 2010	—
Charge for the year	—
At 30 June 2011 - audited	—
Charge for the year	20,375
At 30 June 2012 - audited	20,375
Charge for the year	66,875
At 30 June 2013 - audited	87,250
Charge for the period	75,062
At 31 Dec 2013 - audited	162,312
Carrying amount:	
At 30 June 2011 - audited	81,500
At 30 June 2012 - audited	247,125
At 30 June 2013 - audited	513,250
At 31 Dec 2013 - audited	633,688

Development costs are amortised over their estimated useful lives, which is 4 years.

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Amortisation is first charged in the financial year following the financial year of capitalisation.

All amortisation has been charged to administrative expenses in the Statement of Comprehensive Income.

11. Property, plant and equipment

	IT Equipment & Software £
Cost:	
At 1 July 2010	347
Additions	20,892
At 30 June 2011 - audited	21,239
Additions	23,456
At 30 June 2012 - audited	44,695
Additions	6,892
Disposals	—
At 30 June 2013 - audited	51,587
Additions	4,096
Disposals	—
At 31 Dec 2013 - audited	55,683
Amortisation:	
At 1 July 2010	159
Charge for the year	5,188
At 30 June 2011 - audited	5,347
Charge for the year	12,066
At 30 June 2012 - audited	17,413
Charge for the year	14,431
At 30 June 2013 - audited	31,844
Charge for the period	7,706
At 31 Dec 2013 - audited	39,550
Carrying amount:	
At 30 June 2011 - audited	15,892
At 30 June 2012 – audited	27,282
At 30 June 2013 - audited	19,743
At 31 Dec 2013 - audited	16,133

All depreciation has been charged to administrative expenses in the Statement of Comprehensive Income.

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12. Investment in Joint Venture

In March 2011 Eagle Eye Solutions set up a subsidiary company in Australia called Eagle Eye Solutions (Asia Pacific) Pty Limited and as at 30 June 2011 held 100% of the ordinary share capital of the company, the investment made being \$100 Australian Dollars of £51. The company was established in order to sell the Eagle Eye platform in the Asia Pacific market and the company was granted a licence by Eagle Eye Solutions in order to sell the platform in these territories, under which an income stream based on sales was due to Eagle Eye Solutions.

In the financial year ended 30 June 2012, Eagle Eye Solutions (Asia Pacific) Pty Limited issued shares which diluted Eagle Eye Solutions' interest in the ordinary share capital to 51% and on 19 August 2011, Eagle Eye Solutions entered into an agreement with three other parties to jointly manage and control the entity. Eagle Eye Solutions has not provided any funding to Eagle Eye Solutions (Asia Pacific) Pty Limited since its original investment in the share capital of £51 and due to the losses made, has not invoiced the company for revenue due to it under the terms of the licence agreement.

The Directors and Proposed Directors consider that whilst Eagle Eye Solutions (Asia Pacific) Pty Limited was initially established as a subsidiary company, the August 2011 joint venture agreement governs the required accounting treatment. Accordingly, in accordance with IAS 31: Investments in Joint Ventures, the Directors and Proposed Directors have treated this investment as a joint venture and have accounted for this interest as a jointly controlled entity using the principles of equity accounting as set out below:

Summarised Balance Sheet for Eagle Eye Solutions (Asia Pacific) Pty Limited

	At 30 June 2011 £	At 30 June 2012 £	At 30 June 2013 £	At 31 Dec 2013 £
CURRENT ASSETS				
Cash and cash equivalents	—	134,636	7,902	12,149
Trade and other receivables	—	4,855	1,758	89
TOTAL CURRENT ASSETS	—	139,491	9,660	12,238
NON-CURRENT ASSETS				
Property, plant and equipment	—	19,635	14,890	12,370
TOTAL NON-CURRENT ASSETS	—	19,635	14,890	12,370
TOTAL ASSETS	—	159,126	24,550	24,608
CURRENT LIABILITIES				
Trade and other payables	—	30,000	2,399	959
TOTAL CURRENT LIABILITIES	—	30,000	2,399	959
TOTAL LIABILITIES	—	30,000	2,399	959
Net Assets	—	129,126	22,151	23,649

Summarised Statement of Comprehensive Income for Eagle Eye Solutions (Asia Pacific) Pty Limited

	At 30 June 2011 £	At 30 June 2012 £	At 30 June 2013 £	At 31 Dec 2013 £
Loss before tax	—	254,534	108,678	5,635
Income Tax	—	—	—	—
Loss after tax	—	254,534	108,678	5,635

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Notes to the Historical Financial Information

Reconciliation of Summarised Financial Information

	At 30 June 2011 £	At 30 June 2012 £	At 30 June 2013 £	At 31 Dec 2013 £
Opening net assets at 1 July	—	—	215,210	22,151
Increase in net assets due to funds raised	—	383,659	—	—
Total profit/(loss) for the period	—	(172,178)	(108,678)	5,635
Foreign exchange differences	—	—	1,704	4,138
Closing net assets	—	129,126	22,151	23,649
Interest in associates (2011: 100%, 2012: 51%, 2013: 51%)	51	65,854	—	—
Impairment	—	(65,854)	—	—
Carrying Value at 30 June (or 31 December)	51	—	—	—

In the year to 30 June 2012, Eagle Eye Solutions (Asia Pacific) Pty Limited undertook a fundraising which diluted Eagle Eye Solutions' interest from 100% to 51%, generating a gain on disposal of their interest of £195,615. This has been taken to the statement of comprehensive income in accordance with IAS 28. Eagle Eye Solutions' share of losses amounted to £129,812. The Directors reviewed the losses made in the year and determined that the investment was impaired, writing it down to £nil and taking a charge of £65,854 to the statement of comprehensive income as shown in the table above. The net impact of the gain on disposal of the 49% interest, the share of losses made and the impairment is £nil.

In the financial year ended 30 June 2013 the net assets of Eagle Eye Solutions (Asia Pacific) Pty Limited have been further reduced due to the losses made. As the value of the investment was written down to £nil in the year ended 30 June 2012, and Eagle Eye Solutions has neither incurred any legal or constructive obligation nor made payments on behalf of Eagle Eye Solutions (Asia Pacific) Pty Limited, this reduction in net assets/ recognition of additional losses or marginal profits in respect of the period ended 31 December 2013 has not been reflected in the statement of comprehensive income.

13. Trade and other receivables

	At 30 June 2011 £ Audited	At 30 June 2012 £ Audited	At 30 June 2013 £ Audited	At 31 Dec 2013 £ Audited
Trade receivables	58,743	253,664	118,607	316,880
Prepayments and accrued income	—	25,752	146,896	151,769
Other receivables	19,946	19,997	5,050	5,050
Trade and other receivables	78,689	299,413	270,553	473,699

Contractual payment terms with Eagle Eye Solutions' customers are typically between 30 and 60 days.

As at 31 December 2013, no allowance had been made for overdue receivables (30 June 2013: £nil; 31 December 2012: £nil, 30 June 2012: £nil; 30 June 2011: £nil).

The Directors and Proposed Directors consider that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables Eagle Eye Solutions considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on Eagle Eye Solutions' credit risk management policies, refer to note 17(c).

No allowance has been made against overdue receivables based on historic default experience and Eagle Eye Solutions policy of providing for overdue receivables when they become more than 12 months overdue.

Eagle Eye Solutions does not hold any collateral as security for its trade and other receivables.

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14. Cash and cash equivalents

	At 30 June 2011 £ Audited	At 30 June 2012 £ Audited	At 30 June 2013 £ Audited	At 31 Dec 2013 £ Audited
Cash and cash equivalents	<u>1,615,208</u>	<u>769,996</u>	<u>1,408,357</u>	<u>1,154,738</u>

All UK sterling denominated balances are held at HSBC.

The Directors and Proposed Directors consider that the carrying value of cash and cash equivalents approximates their fair value.

For details on Eagle Eye Solutions' credit risk management policies, refer to note 17.

15. Trade and other payables

	At 30 June 2011 £ Audited	At 30 June 2012 £ Audited	At 30 June 2013 £ Audited	At 31 Dec 2013 £ Audited
Trade payables	68,862	7,841	22,317	135,233
Accruals and deferred income	70,432	111,894	72,878	126,583
Social security and other taxes	10,752	19,441	38,905	51,673
Other creditors	<u>31,566</u>	<u>147,043</u>	<u>69,101</u>	<u>321,994</u>
Trade and other payables	<u>181,612</u>	<u>286,219</u>	<u>203,201</u>	<u>635,483</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 day terms.

The Directors and Proposed Directors consider that the carrying value of trade and other payables approximates their fair value.

Eagle Eye Solutions has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the periods reported on.

16. Operating lease arrangements

At the balance sheet date, Eagle Eye Solutions had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	At 30 June 2011 £ Audited	At 30 June 2012 £ Audited	At 30 June 2013 £ Audited	At 31 Dec 2013 £ Audited
Operating leases which expire:				
Within one year	<u>—</u>	<u>41,184</u>	<u>68,408</u>	<u>40,728</u>

Eagle Eye Solutions rents fully serviced office space under a short term rental agreements, renewable at the end of the rental period at market rate

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

17. Financial instruments

Eagle Eye Solutions is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of Eagle Eye Solutions for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this Historical Financial Information.

a. Principal financial instruments

The principal financial instruments used by Eagle Eye Solutions from which financial instrument risk arises are as follows,

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

Details of financial instruments by category are set out below:

	At 30 June 2011 £ Audited	At 30 June 2012 £ Audited	At 30 June 2013 £ Audited	At 31 Dec 2013 £ Audited
Financial assets				
<i>Loans and receivables:</i>				
Trade and other receivables	78,689	273,661	123,657	321,930
Cash and cash equivalents	1,615,208	769,996	1,408,357	1,154,738
	<u>1,693,867</u>	<u>1,043,657</u>	<u>1,532,014</u>	<u>1,476,668</u>
Financial liabilities				
<i>Other financial liabilities:</i>				
Trade and other payables	138,862	114,841	84,317	182,233
Deferred license provisions	—	—	—	—
	<u>138,862</u>	<u>114,841</u>	<u>84,317</u>	<u>182,233</u>

Disclosures in respect of Eagle Eye Solutions' financial risks are set out below:

b. Financial risk management

Eagle Eye Solutions' activities expose it to a variety of financial risks; credit risk and liquidity risk. Eagle Eye Solutions' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Eagle Eye Solutions' financial performance. Eagle Eye Solutions' policies for financial risk management are outlined in note 3 to this Historical Financial Information.

c. Credit risk

Credit risk is the risk of financial loss to Eagle Eye Solutions if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Eagle Eye Solutions' receivables from customers and deposits with financial institutions. Eagle Eye Solutions' exposure to credit risk is influenced mainly by the individual characteristics of each customer. Eagle Eye Solutions has an established credit policy under which each new customer is analysed for creditworthiness before Eagle Eye Solutions' standard payment and delivery terms and conditions are offered. Eagle Eye Solutions' review includes external ratings, and in some cases bank references.

An allowance for impairment is made when there is an identified loss event, which based on previous experience, is evidence in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

Eagle Eye Solutions gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. At each reporting date, Eagle Eye Solutions had a significant concentration of cash held on deposit with HSBC bank in the United Kingdom. At 31 December 2013, the concentration of credit risk held with this bank was £1,154,738 (30 June 2013: £1,408,357, 31 December 2012: £644,389, 30 June 2012: £769,996, 30 June 2011: £1,615,208). This entire amount was denominated in £ sterling.

Eagle Eye Solutions considers its credit risk by counter party and geography.

At 31 December 2013, Eagle Eye Solutions was owed £473,648 (June 2013: £270,502, 31 December 2012: £313,938, 30 June 2012: £299,413, 30 June 2011: £78,740) by its customers, the balances being shown as trade receivables.

No impairment was made against any of the above amounts at any of the Statement of Financial Position dates.

The carrying amount of financial assets recorded in the historical financial information represents Eagle Eye Solutions' maximum exposure to credit risk without taking into account the value of any collateral obtained. In the Directors' and Proposed Directors' opinion there have been no impairments of financial assets in the periods in this financial information.

No collateral is held by Eagle Eye Solutions in relation to any of its financial assets.

d. Liquidity risk

Liquidity risk is the risk that Eagle Eye Solutions will not be able to meet its financial obligations as they fall due. Eagle Eye Solutions' approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to Eagle Eye Solutions' reputation.

The Directors manage liquidity risk by regularly reviewing Eagle Eye Solutions' cash requirements by reference to short term cash flow forecasts and medium term working capital projections prepared by management.

e. Maturity of financial assets and liabilities

All of Eagle Eye Solutions' financial assets and financial liabilities at each reporting date are either payable or receivable within one year.

f. Capital management

Eagle Eye Solutions manages its capital to ensure that it will be able to continue as a going concern. Eagle Eye Solutions is funded solely by equity comprising issued capital. The capital structure of Eagle Eye Solutions consists of cash and cash equivalents and equity, comprising issued capital and retained profits. Eagle Eye Solutions has no externally imposed capital requirements.

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

18. Share capital and Share premium

Share capital

All shares are authorised issued and fully paid (not at 30 June 2011).

	Ordinary shares of £0.01 each No.	Ordinary shares of £0.001 each No.	Ordinary shares £
At 1 July 2010	52,618	—	526
Share issue	20,818	—	208
At 30 June 2011	73,436	—	734
Share sub-division	(73,436)	734,360	—
At 30 June 2012	—	734,360	734
Share issue	—	118,239	119
At 30 June 2013	—	852,599	853
Share issue	—	—	—
At 31 Dec 2013	—	852,599	853

Eagle Eye Solutions has one class of ordinary shares which carry no rights to fixed income.

Share premium

	Share premium £
At 1 July 2010	199,807
Share issue	1,654,788
At 30 June 2011	1,854,595
Share issue	—
At 30 June 2012	1,854,595
Share issue	1,448,297
At 30 June 2013	3,302,892
Share issue	—
At 31 Dec 2013	3,302,892

Year to 30 June 2011

During the year the following share issues were under taken:-

On 16 December 2010, Eagle Eye Solutions issued 4,048 ordinary shares of £0.01 for a total consideration of £29,996 (£19,997 remaining unpaid at 30 June 2011), a premium of £7.40 per share.

On 12 May 2011, Eagle Eye Solutions issued 16,770 ordinary shares of £0.01 for a total consideration of £1,624,832, a premium of £96.89 per share.

Year to 30 June 2012

During the year no share issues were under taken, however, on 18 May 2012 Eagle Eye Solutions granted options over 82,610 ordinary shares of £0.001 each under both an EMI and Unapproved Scheme at an exercise price of £2.66 per share. 24,070 of these options vested on grant, 13,090 vest by reference to time and 45,450 vest on satisfaction of certain performance targets. The options are subject to accelerated vesting rights and a minimum of 25% are exercisable in the event of a sale, listing or asset sale of Eagle Eye Solutions.

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

Year to 30 June 2013

During the year, Eagle Eye Solutions issued 118,239 shares for a total consideration of £1,448,416.

On 18 December 2012 Eagle Eye Solutions granted options over 23,486 ordinary shares of £0.001 each under both an EMI and Unapproved Scheme at an exercise price of £2.66 per share. All these options vest on satisfaction of certain performance targets. The options are subject to accelerated vesting rights and a minimum of 25% are exercisable in the event of a sale, listing or asset sale of Eagle Eye Solutions.

6 months to 31 December 2013

On 17 September 2013 Eagle Eye Solutions granted options over 29,193 ordinary shares of £0.001 each under an EMI Scheme at an exercise price of £2.66 per share. On 10 October 2013 Eagle Eye Solutions granted options over 17,052 ordinary shares of £0.001 each under an Unapproved Scheme at an exercise price of £2.66 per share. All these options vest on satisfaction of certain performance targets. The options are subject to accelerated vesting rights and a minimum of 25% are exercisable in the event of a sale, listing or asset sale of Eagle Eye Solutions.

19. Share based payments

Eagle Eye Solutions issues equity-settled share based payments to certain employees under which Eagle Eye Solutions receives services as consideration for equity instruments (options) in Eagle Eye Solutions. Options are exercisable at £2.66 per share.

Options over Ordinary shares of Eagle Eye Solutions of £0.001 each were granted as follows:

	Year to 30 June 2011 No.	Year to 30 June 2012 No.	Year to 30 June 2013 No.	6m to 31 Dec 2013 No.
Options granted over Ordinary Shares of Eagle Eye Solutions of £0.001 each	—	82,610	23,486	46,245
	Year to 30 June 2011 No.	Year to 30 June 2012 No.	Year to 30 June 2013 No.	6m to 31 Dec 2013 No.
Total options granted over Ordinary Shares of Eagle Eye Solutions of £0.001 each, and not lapsed or cancelled as at each balance sheet date	—	82,610	106,096	148,961

None of these options have been exercised by 31 December 2013.

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

The estimated fair value of the options granted in each period was calculated by using the Black-Scholes model whose inputs were as follows:

Weighted average share price	£	2.87
Weighted average exercise price	£	2.66
Expected volatility		47.8% to 56.3%
Expected life		5 years
Risk-free rate		0.7% to 1.8%
Expected dividend yields		0%

Expected volatility was determined by calculating the historical volatility of similar companies share prices over the previous 5 years, or over such shorter periods as the available data permitted. The expected life used in the model has been adjusted, based on the Directors' and Proposed Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total expenses recognised by Eagle Eye Solutions related to equity-settled share based payment transactions are detailed in Notes 4.2 and 8.

20. Related party transactions

The following transactions were carried out with related parties:

(a) Director emoluments

The following amounts were paid to executive and non-executive Directors:

	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013	6m to 31 Dec 2012	6m to 31 Dec 2013
	£ Audited	£ Audited	£ Audited	£ Unaudited	£ Audited
Aggregate emoluments	37,167	130,000	188,014	75,614	125,000
Share based payments charge	—	3,103	40,455	20,395	34,709
	<u>37,167</u>	<u>133,103</u>	<u>228,469</u>	<u>96,009</u>	<u>159,709</u>

Remuneration and benefits paid to the highest paid Director, excluding share based payments, for the period ended 31 December 2013 totalled £56,267, (period ended 31 December 2012: £45,468, year ended 30 June 2013: £96,310, year ended 30 June 2012: £89,275, year ended 30 June 2011: £31,297).

(b) Other transactions with Directors

No dividends have been paid to Directors.

(c) Transactions with other related parties

During the six month period to 31 December 2013 Eagle Eye Solutions acquired services to the value of £86,114 (six month period to 31 December 2012: £83,107, year ended 30 June 2013: £115,219, year ended 30 June 2012: £253,257, year ended 30 June 2011: £83,064) from Eagle Eye Technology Limited.

Eagle Eye Solutions Limited

Notes to the Historical Financial Information

At the balance sheet dates, 31 December 2013 £52,004 (30 June 2013: £2,464, 31 December 2012: £10,453, 30 June 2012: £49,514, 30 June 2011: £53,840) was due to Eagle Eye Technology Limited in respect of accrued subcontractor costs. Stephen Rothwell, a director of Eagle Eye Solutions, has an interest in Eagle Eye Solutions and in Eagle Eye Technology Limited.

21. Subsequent Events

On 18 March 2014 the shareholders of Eagle Eye Solutions Limited entered into a share exchange agreement with the Company pursuant to which each Shareholder agreed to sell their shares in Eagle Eye Solutions Limited in exchange for the issue to them of, in aggregate, 13,641,384 ordinary shares in the Company.

PART IV

HISTORICAL FINANCIAL INFORMATION ON 2ERGO

SECTION A – ACCOUNTANT’S REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON 2ERGO



Eagle Eye Solutions Group PLC
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10 April 2014

Dear Sirs

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2ergo Limited

We report on the financial information set out in Section B of Part IV for the three years ended 31 August 2013. This financial information has been prepared for inclusion in the Admission Document dated 10 April 2014 of Eagle Eye Solutions Group PLC (“the Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

The Directors of Eagle Eye Solutions Group PLC are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

Chartered Accountants Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

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We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 10 April 2014, a true and fair view of the state of affairs of 2ergo Limited as at 31 August 2011, 2012 and 2013 respectively and of its losses, cash flows and recognised gains and losses for the three years ended 31 August 2013 in accordance with the basis of preparation set out in note 1.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

SECTION B – HISTORICAL FINANCIAL INFORMATION ON 2ERGO

2ergo Limited

Historical financial information for the three years ended 31 August 2013

The financial information set out below of 2ergo Limited for the three years ended 31 August 2011, 2012 and 2013 has been prepared by the Directors of Eagle Eye Solutions Group PLC on the basis set out in note 1.

The accompanying notes represent an integral part of the financial information.

The financial information contained within this section does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information is derived from the statutory financial statements for the three years ended 31 August 2011, 2012 and 2013. The financial statements of 2ergo Limited for those periods have been reported on by the auditor of 2ergo Limited and have been delivered to the Registrar of Companies. The reports of the auditor were: (i) unqualified and (ii) did not contain statements under section 498(2) or section 498(3) of the Companies Act 2006.

Income statement

for the years ended 31 August

	Note	2011 £000	2012 £000	2013 £000
Continuing operations				
Revenue		10,117	8,256	3,491
Cost of sales		(6,339)	(5,551)	(2,328)
Gross profit		3,778	2,705	1,163
Administrative costs		(7,157)	(9,379)	(6,749)
Operating loss	2	(3,379)	(6,674)	(5,586)
Finance income	4	2	4	—
Loss before taxation		(3,377)	(6,670)	(5,586)
Taxation	5	538	1,027	433
Loss for the financial year from continuing operations		(2,839)	(5,643)	(5,153)
Discontinued operations				
(Loss)/profit for the financial year from discontinued operations	17	2,248	(7,133)	—
Loss for the financial year		(591)	(12,776)	(5,153)

2ergo Limited**Historical financial information for the three years ended 31 August 2013**

Statement of comprehensive income

for the years ended 31 August

	2011 £000	2012 £000	2013 £000
Loss for the financial year	(591)	(12,776)	(5,153)
Other comprehensive income for the financial year, net of tax	—	—	—
Total comprehensive loss for the financial year	(591)	(12,776)	(5,153)

2ergo Limited**Historical financial information for the three years ended 31 August 2013**

Statement of financial position

as at 31 August

	Note	2011 £000	2012 £000	2013 £000
Non-current assets				
Intangible assets	6	10,781	2,844	3,018
Property, plant and equipment	7	787	564	284
Investments	8	268	—	—
		<u>11,836</u>	<u>3,408</u>	<u>3,302</u>
Current assets				
Trade and other receivables	9	6,000	1,845	656
Current tax receivable		—	292	282
Cash and cash equivalents	12	<u>1,712</u>	<u>508</u>	<u>35</u>
		<u>7,712</u>	<u>2,645</u>	<u>973</u>
Total assets		<u>19,548</u>	<u>6,053</u>	<u>4,275</u>
Current liabilities				
Trade and other payables	10	<u>(7,952)</u>	<u>(7,710)</u>	<u>(10,686)</u>
Non-current liabilities				
Deferred tax liability	11	<u>(877)</u>	<u>(363)</u>	<u>(132)</u>
Total liabilities		<u>(8,829)</u>	<u>(8,073)</u>	<u>(10,818)</u>
Net (liabilities)/assets		<u>10,719</u>	<u>(2,020)</u>	<u>(6,543)</u>
Capital and reserves attributable to equity holders of the parent				
Share capital	13	11	11	11
Share premium	13	1,765	1,765	1,765
Capital redemption reserve		1	1	1
Share option reserve		839	873	1,287
Retained (losses)/earnings		<u>8,103</u>	<u>(4,670)</u>	<u>(9,607)</u>
Total equity		<u>10,719</u>	<u>(2,020)</u>	<u>(6,543)</u>

2ergo Limited
Historical financial information for the three years ended 31 August 2013

Statement of changes in equity

for the years ended 31 August

	Share capital £000	Share premium £000	Capital redemption reserve £000	Share option reserve £000	Retained (losses)/ earnings £000	Total £000
Balance at 1 September 2010	11	1,765	1	796	8,581	11,154
Loss for the financial year	—	—	—	—	(591)	(591)
Total comprehensive loss for the financial year	—	—	—	—	(591)	(591)
Transactions with owners						
IFRS 2 share based payment charge	—	—	—	156	—	156
Fair value of vested options lapsed in the year	—	—	—	(113)	113	—
	—	—	—	43	113	156
Balance at 31 August 2011	11	1,765	1	839	8,103	10,719
Loss for the financial year	—	—	—	—	(12,776)	(12,776)
Total comprehensive loss for the financial year	—	—	—	—	(12,776)	(12,776)
Transactions with owners						
IFRS 2 share based payment charge	—	—	—	37	—	37
Fair value of vested options lapsed in the year	—	—	—	(3)	3	—
	—	—	—	34	3	37
Balance at 31 August 2012	11	1,765	1	873	(4,670)	(2,020)
Loss for the financial year	—	—	—	—	(5,153)	(5,153)
Total comprehensive loss for the financial year	—	—	—	—	(5,153)	(5,153)
Transactions with owners						
Tax on items taken directly to equity	—	—	—	—	80	80
IFRS 2 share based payment charge	—	—	—	550	—	550
Fair value of vested options lapsed in the year	—	—	—	(136)	136	—
	—	—	—	414	216	630
Balance at 31 August 2013	11	1,765	1	1,287	(9,607)	(6,543)

2ergo Limited**Historical financial information for the three years ended 31 August 2013**

Statement of cash flows

for the years ended 31 August

	2011 £000	2012 £000	2013 £000
Cash flows from operating activities			
Loss before taxation	(3,377)	(6,670)	(5,586)
Adjustments for:			
Impairment of assets ⁽¹⁾	—	4,759	1,251
Depreciation	395	411	405
Amortisation	811	1,214	774
Share based payment expense	156	37	550
Net finance income	(2)	(4)	—
(Increase)/decrease in trade and other receivables	691	931	(56)
Increase in trade and other payables	2,786	67	2,976
Net income tax received	397	398	286
Net cash flows from operating activities-continuing operations	<u>1,857</u>	<u>1,143</u>	<u>600</u>
Net cash flows from operating activities-discontinued operations	<u>3,593</u>	<u>(314)</u>	<u>—</u>
Cash flows from investing activities			
Payments to acquire property, plant and equipment	(219)	(214)	(125)
Payments to acquire intangible assets	(2,969)	(1,333)	(948)
Interest received	2	4	—
Net cash flows from investing activities-continuing operations	<u>(3,186)</u>	<u>(1,543)</u>	<u>(1,073)</u>
Net cash flows from investing activities-discontinued operations	<u>(981)</u>	<u>(490)</u>	<u>—</u>
Net (decrease)/increase in cash and cash equivalents in the year	<u>1,283</u>	<u>(1,204)</u>	<u>(473)</u>
Cash and cash equivalents at beginning of year	429	1,712	508
Cash and cash equivalents at end of year	<u>1,712</u>	<u>508</u>	<u>35</u>

- ⁽¹⁾ Impairment of assets in 2013 related to amounts due which were provided for from the Employee Benefit Trust following a reduction in the value of its investment and from group undertakings following ongoing losses made by those group undertakings. Impairment of assets in 2012 primarily related to the impairment of intangible assets (£4,627,000 – note 6).

2ergo Limited

Historical financial information for the three years ended 31 August 2013

Notes to the historical financial information

1 Accounting policies

Basis of preparation

The historical financial information has been prepared in accordance with applicable International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the European Union (IFRS) except there is no preparation of consolidated financial information for a company with subsidiaries. This is because 2ergo Limited is to be acquired by Eagle Eye Solutions Group PLC excluding its subsidiaries and so consolidated financial information, which is not normally prepared by 2ergo Limited as a wholly owned subsidiary of 2ergo Group PLC, has not been prepared for inclusion in the Admission Document. The changes in accounting policies resulting from the IFRS restatement, together with the financial impacts of these changes are set out in note 19.

The financial information for the years ended 31 August 2011, 2012 and 2013 has been extracted from the annual financial statements of 2ergo Limited and is restated in accordance with the adopted IFRS solely for the purpose of inclusion of this historical financial information within this Admission Document for Eagle Eye Solutions Group PLC in accordance with the AIM Rules for Companies.

The historical financial information has been prepared using the measurement bases specified by IFRS for each type of asset, liability or expense. The detailed measurement bases and principal accounting policies of 2ergo Limited are set out below. The presentational and functional currency of 2ergo Limited is Sterling.

The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in this historical financial information. These accounting policies comply with each IFRS that is mandatory for accounting periods beginning on 1 September 2012.

Going concern

This historical financial information has been prepared on a going concern basis. An overview of 2ergo Limited's financial risk management policies and exposures is provided in note 12.

Discontinued operations

In 2012 certain of 2ergo Limited's business lines, such as offering subscription billing services to clients, were discontinued. The results of these discontinued operations are included within profit or loss from discontinued operations as part of a single line item. Any profit or loss arising from the sale of discontinued investments is presented as part of the single line item, profit or loss from discontinued operations. Further analysis of discontinued operations is detailed in note 17.

Revenue

2ergo Limited derives its revenues from contracts which include individual or varying combinations of 2ergo Limited's managed services and products. The timing of revenue recognition in each case depends upon a variety of factors, including the specific terms of each contract and the nature of 2ergo Limited's deliverables and obligations.

Revenue represents the fair value of consideration receivable by 2ergo Limited for services provided, net of value added tax. 2ergo Limited's revenue streams include monthly service fees, set up and activation fees, licence fees and transaction fees depending on the type and delivery of service.

Revenue for transaction fees is recognised at the point of service delivery and when collection of the resulting receivable is reasonably assured. Monthly service and licence fees are recognised over the period of the agreement. Set up and activation fees are generally recognised when the relevant service is available to the customer. When components of a single invoice are separately identifiable, such as set up and monthly service fees, revenue is measured separately for each component in accordance with the recognition policies above.

2ergo Limited
Historical financial information for the three years ended 31 August 2013

Investments

Subsidiary investments are recognised at their historic cost less any provision for impairment. The results of subsidiaries are not consolidated in this historical financial information as the subsidiaries have not been acquired.

Intangible assets

Purchased intellectual property

Purchased intellectual property is capitalised at cost and amortised on a straight line basis based upon the directors' estimate of useful economic lives (5 years).

Research and development

Expenditure on research is written off in the period in which it is incurred, except where such expenditure is recoverable from third parties. Development costs incurred are capitalised when all the following conditions are satisfied:

- completion of the product is technically feasible so that it will be available for use or sale;
- 2ergo Limited intends to complete the product and use or sell it;
- 2ergo Limited has the ability to use or sell the product;
- the product is commercially viable and will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete development of the product; and
- the expenditure attributable to the product during its development can be measured reliably.

Development costs comprise all directly attributable costs, including employee costs incurred on software development along with an appropriate portion of relevant overheads. Development costs not meeting the criteria for capitalisation are written off as incurred. Development costs are capitalised at cost and amortised from completion on a straight line basis based upon the directors' estimate of their useful economic lives (5 years).

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any provision for impairment. Depreciation is provided to write down the cost to the residual value over the assets' estimated useful economic lives on a straight line basis with the following lives:

Computer equipment	2 to 3 years
Office furniture and fittings	3 to 5 years

The residual values and economic lives of assets are reviewed by the directors on at least an annual basis and are amended as appropriate.

Impairment testing of intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Those intangible assets not yet available for use are tested for impairment at least annually by reviewing management approved forecasts for those cash generating units. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell, and value in use based on an internal discounted cash flow valuation. Any impairment loss is charged pro rata to the assets in the cash-generating unit.

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Historical financial information for the three years ended 31 August 2013

Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases. Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Taxation

Current tax is the tax currently payable based upon the taxable loss for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or of any other asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses which are available to be carried forward and other income tax credits to 2ergo Limited are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period of realisation based on tax rates and laws that have been enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement except where they relate to items that are charged or credited directly to equity or where they relate to other comprehensive income in which case the related deferred tax is also charged or credited directly to equity or recognised in the statement of comprehensive income.

Financial assets

Financial assets are recognised when 2ergo Limited becomes a party to the contractual provisions of the contract. They are assigned to the categories described below by management on initial recognition, depending on the purpose for which they were acquired. The designations of financial assets are re-evaluated at every reporting date at which a choice of classification or accounting treatment is available, and are as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. These are initially recognised at fair value and subsequently are measured at amortised cost using the effective interest rate method, less provision for estimated irrecoverable amounts. Receivables are assessed for impairment based on a number of factors including their credit-worthiness, previous payment history and future prospects. Any change in their value through impairment or reversal of impairment is recognised in the income statement. The carrying value less impairment provision of loans and receivables is assumed to approximate to their fair value. 2ergo Limited's trade receivables and cash and cash equivalents fall into this category.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2ergo Limited

Historical financial information for the three years ended 31 August 2013

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when 2ergo Limited becomes a party to the contractual provisions of the contract. 2ergo Limited's financial liabilities include trade payables which are measured initially at fair value and subsequently at amortised cost using the effective interest rate method.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised only when the contract that gives rise to it is settled, sold, cancelled or expires.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Exchange differences arising on the settlement and retranslation of monetary items are included in the operating result for the year.

Employee benefits

2ergo Limited operates a defined contribution pension scheme. The assets of the scheme are held separately from those of 2ergo Limited in an independently administered fund. The pension costs charged in the income statement are the contributions payable to the scheme in respect of the accounting period.

Share-based payments

2ergo Group PLC issues equity-settled share-based payments to certain employees of 2ergo Limited. The fair value of these payments is determined at the date of grant and is expensed on a straight line basis over the vesting period based on 2ergo Group PLC's estimate of shares or options that will eventually vest. Estimates for non-market based vesting conditions are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made where a change occurs to the expectation of a market based vesting condition. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

In the case of options granted without a market based vesting condition, fair value is measured by the Black-Scholes pricing method. Where options are granted with a market based vesting condition, fair value is measured by the binomial pricing method. All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to the share option reserve.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium. Where vested share options have lapsed, the value previously credited to the share option reserve in relation to those options is transferred to Retained Losses. Where share options are modified the fair value of those options is reassessed and the revised value is expensed over the vesting period of the modified option.

Equity

Equity comprises the following:

- Share capital, representing the nominal value of shares of 2ergo Limited;
- Share premium, representing the excess over the nominal value of the fair value of consideration received for shares, net of expenses of the share issue;
- Capital redemption reserve, arising on the purchase of its own shares by 2ergo Limited in 2003;
- Share option reserve, representing the cost of equity-settled share-based payments until such share options are exercised or lapse.

2ergo Limited

Historical financial information for the three years ended 31 August 2013

Recently issued accounting pronouncements

At the date of issue of this historical financial information, the following Standards and Interpretations which have not been applied in this historical financial information 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 2ergo Limited's historical financial information.

- IAS 12 (Amendment) – Deferred tax – Recovery of underlying assets
- IAS 19 (Revised) – Employee benefits
- IAS 27 (Revised) – Separate financial statements
- IAS 28 (Revised) – Investments in associates and joint ventures
- IFRS 1 (Amendment) – Government loans
- IFRS 7 (Amendment) – Disclosures – Offsetting financial assets and financial liabilities
- IFRS 10 – Consolidated financial statements
- IFRS 11 – Joint arrangements
- IFRS 12 – Disclosure of interests in other entities
- IFRS 13 – Fair value measurement
- IFRIC 20 – Stripping costs in the production phase of a surface mine

Critical accounting estimates and judgements

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.

Critical accounting estimates and their underlying assumptions affect the reported amounts of assets and liabilities at the date of the financial information and the reported revenue and expenses during the periods presented. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known. The following paragraphs detail the critical accounting estimates the Company believes to have the most significant impact on the annual results under IFRS.

Intangible assets

Intangible assets include intellectual property which is capitalised at cost and amortised on a straight line basis based upon the directors' estimate of its useful economic life. In addition, the carrying value of intellectual property is assessed when indications of impairment exist. The level of success of propositions and products based on this intellectual property may be different from the directors' estimates, which could impact the useful economic life of the intellectual property and operating results positively or negatively. 2ergo Limited holds intellectual property with a net book value of £3,018,000 (2012: £2,844,000, 2011: £10,781,000).

Provision for doubtful trade receivables

2ergo Limited evaluates the collectability of trade receivables and records provisions based on experience. These provisions are based on, amongst other things, comparison of the relative age of accounts and consideration of actual write-off history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively. The value of the provision for doubtful receivables at 31 August 2013 is £29,000 (2012: £257,000, 2011: £208,000).

2ergo Limited**Historical financial information for the three years ended 31 August 2013****Share-based payments**

2ergo Limited calculates the share-based payment charge using the Black-Scholes option pricing model for options granted without a market based vesting condition and the Binomial option pricing model for those options granted with a market based vesting condition. Calculating the share-based payment charge requires the directors to make an estimate of the expected number of options which will vest, amongst other inputs to the relevant model (see note 14). The actual number of options which vest may be different from the directors' estimate, which could impact operating results positively or negatively. The value of the share-based payment charge in the year ended 31 August 2013 is £550,000 (2012: £37,000, 2011: £156,000).

2 Operating loss

Operating loss is stated after charging to administrative costs:

	Continuing operations			Discontinued operations				Total	
	2011	2012	2013	2011	2012	2013	2011	2012	2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation of owned tangible assets	395	411	405	—	—	—	395	411	405
Amortisation of intangible assets	735	1,183	774	1,097	588	—	1,832	1,771	774
Impairment of assets ⁽¹⁾	—	4,759	—	—	5,472	—	—	10,231	—
Employee costs (note 3)	3,985	3,102	3,055	50	—	—	4,035	3,102	3,055
Amount due from group undertakings provided for	—	—	964	—	—	—	—	—	964
Amount due from Employee Benefit Trust provided for	—	—	287	—	—	—	—	—	287
Operating lease rentals	299	313	342	—	—	—	299	313	342
Auditor's remuneration									
Audit of the Company	12	10	10	—	—	—	12	10	10
Research and development ⁽²⁾	1,211	2,585	1,127	714	51	—	1,925	2,636	1,127

⁽¹⁾ Total assets impaired in the year to 31 August 2012 includes intangible assets of £7,989,000, tangible assets of £26,000 and other assets of £2,216,000.

⁽²⁾ Research and development costs include elements of amortisation, impairment and employee costs also included separately above.

3 Particulars of staff

The average number of persons employed by 2ergo Limited, including executive directors, during each year was:

	2011	2012	2013
	No	No	No
Technical	47	30	26
Sales and administration	45	46	37
	<u>92</u>	<u>76</u>	<u>63</u>

2ergo Limited**Historical financial information for the three years ended 31 August 2013****3 Particulars of staff (continued)**

The aggregate payroll costs of these persons were:

	2011 £000	2012 £000	2013 £000
Wages and salaries	4,975	3,648	2,732
Share scheme costs ⁽¹⁾	156	37	550
Social security costs	527	408	335
Pension costs – defined contribution plan	143	112	87
Less: amounts capitalised	(1,766)	(1,103)	(649)
	<u>4,035</u>	<u>3,102</u>	<u>3,055</u>

⁽¹⁾ The IFRS 2 share scheme costs in 2013 primarily relate to the share options issued in the July 2013 2ergo Group PLC fundraising and are a non-cash item.

Key management remuneration

Remuneration of the key management team, including executive directors, during each year was as follows:

	2011 £000	2012 £000	2013 £000
Aggregate emoluments including short-term employee benefits	780	643	692
Share scheme costs	66	7	334
Pension costs – defined contribution plan	50	55	54
	<u>896</u>	<u>705</u>	<u>1,080</u>

Directors' remuneration

Remuneration of directors during each year was as follows:

	2011 £000	2012 £000	2013 £000
Aggregate emoluments including short-term employee benefits	645	679	679
Pension costs – defined contribution plan	51	55	53
	<u>696</u>	<u>734</u>	<u>732</u>

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

	2011 £000	2012 £000	2013 £000
Aggregate emoluments including short-term employee benefits	112	113	119
Pension costs – defined contribution plan	21	21	4
	<u>133</u>	<u>134</u>	<u>123</u>

Retirement benefits are accruing to 5 (2012: 6, 2011: 6) directors in respect of defined contribution schemes.

4 Finance income

	2011 £000	2012 £000	2013 £000
Interest income on short-term bank deposits	<u>2</u>	<u>4</u>	<u>—</u>

2ergo Limited
Historical financial information for the three years ended 31 August 2013
5 Taxation

	Continuing operations			Discontinued operations				Total	
	2011	2012	2013	2011	2012	2013	2011	2012	2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current tax									
UK Corporation tax at 23.59% (2012: 25.17%, 2011: 27.17%)	—	(279)	(282)	—	(13)	—	—	(292)	(282)
Adjustments in respect of prior years	(42)	(272)	—	—	(125)	—	(42)	(397)	—
	<u>(42)</u>	<u>(551)</u>	<u>(282)</u>	<u>—</u>	<u>(138)</u>	<u>—</u>	<u>(42)</u>	<u>(689)</u>	<u>(282)</u>
Deferred tax									
In respect of current year	(513)	(792)	(61)	287	(161)	—	(226)	(953)	(61)
In respect of prior years	17	316	(90)	—	123	—	17	439	(90)
	<u>(496)</u>	<u>(476)</u>	<u>(151)</u>	<u>287</u>	<u>(38)</u>	<u>—</u>	<u>(209)</u>	<u>(514)</u>	<u>(151)</u>
Tax on loss on ordinary activities	<u>(538)</u>	<u>(1,027)</u>	<u>(433)</u>	<u>287</u>	<u>(176)</u>	<u>—</u>	<u>(251)</u>	<u>(1,203)</u>	<u>(433)</u>
Tax reconciliation									
Loss before tax							(842)	(13,185)	(5,586)
Tax using UK corporation tax rate of 23.59% (2012: 25.17%, 2011: 27.17%)							(229)	(3,319)	(1,318)
Non-deductible expenses							5	2,189	2
Research and development tax credits							(373)	(324)	(335)
Share based payment temporary differences							—	31	31
Adjustment to current tax in respect of prior years							(42)	(397)	—
Adjustment to deferred tax in respect of prior years							—	439	16
Effect of change in tax rates							—	(102)	81
Utilisation of research and development tax credits							375	292	282
Movement in deferred tax not provided							13	(12)	808
Tax on loss on ordinary activities	<u>(251)</u>	<u>(1,203)</u>	<u>(433)</u>				<u>(251)</u>	<u>(1,203)</u>	<u>(433)</u>

2ergo Limited
Historical financial information for the three years ended 31 August 2013

6 Intangible assets

	Intellectual property £000
Cost	
At 1 September 2010	13,465
Additions – internally developed	1,766
Additions – purchased	2,192
At 31 August 2011	17,423
Additions – internally developed	1,103
Additions – purchased	720
Disposals	(1,228)
At 31 August 2012	18,018
Additions – internally developed	649
Additions – purchased	299
At 31 August 2013	18,966
Amortisation and impairment	
At 1 September 2010	4,810
Charge for the year	1,832
At 31 August 2011	6,642
Charge for the year	1,771
Impairment	7,989
Disposals	(1,228)
At 31 August 2012	15,174
Charge for the year	774
At 31 August 2013	15,948
Net book value	
At 31 August 2013	3,018
At 31 August 2012	2,844
At 31 August 2011	10,781

In the year ended 31 August 2012, 2ergo Limited moved its focus away from providing mainstream mobile solutions, which were increasingly difficult to scale, and also disposed of its Australian business. Following this, together with the focus on the development and realisation of value from its podifi contactless mobile loyalty technology, the Board considered that the value of certain assets of 2ergo Limited may no longer certainly be realisable through future cash flows. Accordingly intangible assets with a value of £7,989,000 were fully impaired in the year to 31 August 2012, of which £4,627,000 is charged in continuing operations and £3,362,000 in discontinued operations.

2ergo Limited
Historical financial information for the three years ended 31 August 2013

7 Property, plant and equipment

	Computer equipment £000	Office furniture and fittings £000	Total £000
Cost			
At 1 September 2010	1,313	716	2,029
Additions	211	8	219
At 31 August 2011	1,524	724	2,248
Additions	214	—	214
At 31 August 2012	1,738	724	2,462
Additions	120	5	125
At 31 August 2013	1,858	729	2,587
Depreciation			
At 1 September 2010	733	333	1,066
Charge for the year	267	128	395
At 31 August 2011	1,000	461	1,461
Charge for the year	307	104	411
Impairment	8	18	26
At 31 August 2012	1,315	583	1,898
Charge for the year	309	96	405
At 31 August 2013	1,624	679	2,303
Net book value			
At 31 August 2013	234	50	284
At 31 August 2012	423	141	564
At 31 August 2011	524	263	787

8 Investments

	£000
Cost	
At 1 September 2010 and 31 August 2011	268
Investment in 2ergo Americas Inc	2,474
Disposals	(2,697)
At 31 August 2012 and 2013	45
Provision for impairment	
At 1 September 2010 and 31 August 2011	—
Impairment	45
At 31 August 2012 and 2013	45
Net book value	
At 31 August 2012 and 2013	—
At 31 August 2011	268

2ergo Limited**Historical financial information for the three years ended 31 August 2013****8 Investments (continued)**

On 24 February 2012 2ergo Limited's subsidiary undertaking, Georgia Holding Company Inc, disposed of its interest in Telitas US, Inc. Also on 27 February 2012, 2ergo Limited disposed of its interest in 2ergo Australia Pty Limited.

Investment	Principal activity	Country of incorporation	Class and percentage of shares held and voting rights
Lammtara Industries EBT Trustees Limited	Investments	England	Ordinary 100%
GM Mobile Limited	Dormant	England	Ordinary 100%
Georgia Holding Company Inc	Dormant	United States	Ordinary 100%
M-Invent Inc*	Dormant	United States	Ordinary 100%
2ergo Inc*	Communications	United States	Ordinary 100%
Proteus Movil SA	Dormant	Argentina	Ordinary 90%

* held indirectly

9 Trade and other receivables

	2011 £000	2012 £000	2013 £000
Trade receivables	1,974	941	381
Less: Provision for impairment of trade receivables	(208)	(257)	(29)
	1,766	684	352
Prepayments and accrued income	488	355	254
Other receivables	340	304	16
Amounts owed by group undertakings	3,406	502	34
	6,000	1,845	656

The ageing of trade receivables that were not impaired at each period end was:

	2011 £000	2012 £000	2013 £000
Not past due	779	482	228
Up to 3 months past due	793	145	114
More than 3 months past due	194	5	8
	1,766	632	350

Accrued income and other receivables are not past due (2012 and 2011: not past due).

2ergo Limited trades only with recognised, credit-worthy third parties. Receivable balances are monitored on an ongoing basis with the aim of minimising 2ergo Limited's exposure to bad debts and in some cases 2ergo Limited holds cash as security for some customers' debts. 2ergo Limited has reviewed in detail all items comprising the above not past due and overdue but not impaired trade receivables to ensure that no impairment exists. As at 31 August 2013, trade receivables of £31,000 (2012: £309,000, 2011: £208,000) were impaired and provided for, all of which were more than 3 months old (2012 and 2011: more than 3 months old). The amount of the provision was £29,000 as at 31 August 2013 (2012: £257,000, 2011: £208,000). Movements on the provision for impairment of trade receivables are as follows:

	2011 £000	2012 £000	2013 £000
At 1 September	54	208	257
Provision for receivables impairment	249	206	20
Receivables written off during the year	(95)	(157)	(248)
At 31 August	208	257	29

2ergo Limited**Historical financial information for the three years ended 31 August 2013****9 Trade and other receivables (continued)**

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

2ergo Limited's trade and other receivables are all denominated in Sterling.

10 Trade and other payables

	2011 £000	2012 £000	2013 £000
Current			
Trade payables	1,074	1,421	607
Other payables	307	507	262
Accruals and deferred income	652	217	208
Amounts due to group undertakings	5,919	5,565	9,609
	<u>7,952</u>	<u>7,710</u>	<u>10,686</u>

11 Deferred tax liability

The elements of deferred taxation are as follows:

	2011 £000	2012 £000	2013 £000
Accelerated capital allowances and intellectual property	1,334	380	335
Research and development tax credit	(418)	—	—
Share option charge	(39)	(17)	(203)
	<u>877</u>	<u>363</u>	<u>132</u>

Movement in deferred tax:

	Accelerated capital allowances and intellectual property £000	Research and development tax credit £000	Share option charge £000	Total £000
At 1 September 2010	1,092	—	(6)	1,086
Charged/(credited) to income statement	242	(418)	(33)	(209)
At 31 August 2011	1,334	(418)	(39)	877
(Credited)/charged to income statement	(954)	418	22	(514)
At 31 August 2012	380	—	(17)	363
Credited to income statement	(45)	—	(106)	(151)
Credited to equity	—	—	(80)	(80)
At 31 August 2013	335	—	(203)	132

No deferred tax asset is recognised for unused tax losses of £10.2 million (2012: £10.0 million, 2011: £5.2 million).

12 Financial instruments and financial risk management

2ergo Limited's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and capital risk. 2ergo Limited uses financial instruments, comprising cash, trade receivables and trade payables, to manage financial and commercial risk wherever it is appropriate to do so.

2ergo Limited

Historical financial information for the three years ended 31 August 2013

12 Financial instruments and financial risk management (continued)

Market risk

Foreign exchange risk

All of 2ergo Limited's revenues and the vast majority of its costs are in Sterling and involve no currency risk. All cash and cash equivalents, receivables and payables are in Sterling. As the functional currency for operations is Sterling, foreign exchange risk is not material and therefore a sensitivity analysis has not been performed.

Interest rate risk

Sterling cash deposits are placed on deposit at the most favourable bank deposit interest rates, taking into account 2ergo Limited's short and medium term cash flow expectations. 2ergo Limited's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

2ergo Limited has no significant concentrations of credit risk. 2ergo Limited's standard policies require appropriate credit checks on potential customers before sales commence. Surplus funds held in 2ergo Limited are invested, in line with board-approved policy, in high quality, short-term liquid investments, usually money market funds or bank deposits.

Credit risk is managed by placing cash deposits with banks which carry a minimum credit rating of BBB-, after also considering asset funding, capital and leverage ratios of the banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The IFRS 7 analysis of financial assets included in the statement of financial position is as follows:

	2011 Loans and receivables £000	2012 Loans and receivables £000	2013 Loans and receivables £000
Trade receivables	1,766	684	352
Accrued income	336	182	67
Other receivables	340	304	16
Amounts due from group undertakings	3,406	502	34
Cash and cash equivalents	1,712	508	35
	<u>7,560</u>	<u>2,180</u>	<u>504</u>

The carrying amounts for loans and receivables above reflect 2ergo Limited's maximum exposure to credit risk.

Liquidity risk

Prudent liquidity risk management requires 2ergo Limited to maintain sufficient cash, short-term liquid investments and available facilities to be able to settle its short-term payables as they fall due. 2ergo Limited monitors rolling forecasts of its cash and cash equivalent short-term investments on the basis of expected cash flow.

The IFRS 7 analysis of financial liabilities included in the statement of financial position is as follows:

	2011 Financial liabilities at amortised cost £000	2012 Financial liabilities at amortised cost £000	2013 Financial liabilities at amortised cost £000
Trade payables	1,074	1,421	607
Other payables	307	507	262
Amounts due to group undertakings	5,919	5,565	9,609
Accruals	650	217	208
Amortised cost	<u>7,950</u>	<u>7,710</u>	<u>10,686</u>

2ergo Limited

Historical financial information for the three years ended 31 August 2013

12 Financial instruments and financial risk management (continued)

The remaining contractual term for all of the liabilities above at each year end is less than 6 months. Amounts due to group undertakings are repayable on demand.

Capital management

2ergo Limited's objectives when managing capital are to safeguard 2ergo Limited's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to minimise 2ergo Limited's cost of capital. At 31 August 2013 the total capital and deficit attributable to shareholders of 2ergo Limited was a deficit of £6,543,000 (2012: deficit of £2,020,000, equity of 2011: £10,719,000) and 2ergo Limited held cash and cash equivalents of £35,000 (2012: £508,000, 2011: £1,712,000) with £9,609,000 intercompany debt (2012: £5,565,000, 2011: £5,919,000). Although 2ergo Limited is not the ultimate parent undertaking of the 2ergo Group PLC group (see note 18), in order to further maintain or adjust the capital structure in the future, 2ergo Limited may make dividend payments to shareholders (should distributable reserves allow for it), return capital to shareholders, issue or buy back shares and raise and repay debt.

13 Share capital

The authorised share capital of 2ergo Limited is 5,000,000 (2012 and 2011: 5,000,000) ordinary shares of 1p each. The share capital allotted, called up and fully paid at 31 August 2013 was 1,058,804 (2012 and 2011: 1,058,804) ordinary shares of 1p each.

	Number of shares	Share capital £000	Share premium £000
At 1 September 2010, 31 August 2011, 2012 and 2013	1,058,804	11	1,765

14 Share option scheme

2ergo Group PLC has a share option scheme for certain employees of the group including employees of 2ergo Limited. Options are generally exercisable either at nominal value or at a price equal to the closing quoted market price of the 2ergo Group PLC's shares on the day immediately prior to the date of grant. Options are forfeited if the employee leaves 2ergo Limited before the options vest. The performance criteria relating to the options are the continuing employment of the holder and the achievement of certain earnings based performance criteria.

	2011 Number of share options	2011 Weighted average exercise price £	2012 Number of share options	2012 Weighted average exercise price £	2013 Number of share options	2013 Weighted average exercise price £
Outstanding at the beginning of the year	1,849,076	1.12	2,850,974	0.61	2,618,678	0.75
Granted during the year	1,560,000	0.19	600,000	0.37	66,644,176	0.01
Exercised in the year	(4,731)	0.48	—	—	—	—
Forfeited in the year	(103,371)	1.73	(3,961)	1.13	(889,737)	0.92
Lapsed in the year	(450,000)	0.97	(828,335)	0.01	(524,975)	0.68
Outstanding at the end of the year	<u>2,850,974</u>	<u>0.61</u>	<u>2,618,678</u>	<u>0.75</u>	<u>67,848,142</u>	<u>0.02</u>
Exercisable at the end of the year	<u>1,350,974</u>	<u>1.08</u>	<u>1,347,013</u>	<u>1.08</u>	<u>782,301</u>	<u>0.88</u>

In the year ended 31 August 2013, options were granted on 24 July 2013. The aggregate of the estimated fair values of the options granted on this date was £665,882 and the share price on that date was £0.01875. In the year ended 31 August 2012, options were granted on 5 March 2012, 15 March 2012 and 12 July 2012. The aggregate of the estimated fair values of the options granted on those dates was £223,572 and the weighted average share price on those dates was £0.64. In the year ended 31 August 2011, options were granted on 20 December 2010 and 7 February 2011. The aggregate of the estimated fair values of the options granted on those dates was £1,398,768 and the weighted average share price on those dates was £1.02.

2ergo Limited**Historical financial information for the three years ended 31 August 2013****14 Share option scheme (continued)**

The options granted on 24 July 2013 were granted in connection with the placing of shares on 4 July 2013. Each of Neale Graham and Barry Sharples were granted 10,000,000 of these options at nil cost ("Nil Cost Option"). The Nil Cost Option vested immediately on the date of grant, but is not exercisable until 12 months from that date. In the event that each holder ceases to be an employee of 2ergo Group PLC, the Nil Cost Option shall not lapse but shall continue to subsist and be capable of being exercised in accordance with the scheme rules.

Each of Neale Graham, Barry Sharples and Jill Collighan were granted 10,000,000 options on 24 July 2013, in connection with the placing of shares on 4 July 2013, at an exercise price of £0.01 ("Performance Option"). The Performance Option vested immediately on the date of grant but is not exercisable until certain performance conditions have been achieved. 50% of the Performance Option becomes exercisable when 2ergo Group PLC's share price reaches or exceeds £0.035 with the remaining 50% becoming exercisable when 2ergo Group PLC's share price reaches or exceeds £0.07.

Also in connection with the placing of shares on 4 July 2013, Neale Graham was granted 8,412,088 options and Barry Sharples was granted 8,232,088 options on 24 July 2013, each at an exercise price of £0.01 ("Additional Option"). The Additional Option vested immediately on the date of grant. However, the Additional Option will not be exercisable until each holder ceases to be an employee of 2ergo Group PLC, save for in the case of gross misconduct or voluntary termination (except as a result of ill health, death or disability).

Options outstanding under 2ergo Group PLC's share option schemes at 31 August 2013 were as follows:

	2011	2012	2013	Calendar year of grant	Exercise period	Exercise price per share
Name of scheme	No of options	No of options	No of options			
2003 Executive share option scheme	428,500	428,500	428,500	2003	2006-2013	£0.22
2004 EBT scheme	83,675	83,675	53,612	2004	2006-2014	£0.48
2004 Executive share option scheme	165,050	165,050	—	2004	2006-2014	£0.48
2005 Incentive share option scheme	371,486	371,486	116,618	2005	2007-2015	£1.72
2006 Incentive share option scheme	298,302	298,302	183,571	2006	2008-2016	£2.03
2010 Incentive share option schemes	400,000	400,000	—	2010	2013-2020	£0.70
	—	250,000	125,000	2012	2015-2022	£0.67
2011 Management incentive schemes	1,100,000	321,665	96,665	2011	2014-2021	£0.01
	—	200,000	200,000	2012	2015-2022	£0.01
	—	100,000	—	2012	2016-2022	£0.52
2013 Enterprise Management Incentive scheme	—	—	46,644,176	2013	2013-2023	£0.01
	—	—	20,000,000	2013	2013-2023	—

The weighted average remaining contractual life of these options is 9.8 years (2012: 5.5 years, 2011: 6.5 years).

The fair value of the employees' services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. Fair value is determined by reference to the Black-Scholes option pricing model, other than for those options granted with a market-based vesting condition, in which case fair value is determined by reference to the Binomial option pricing model.

2ergo Limited

Historical financial information for the three years ended 31 August 2013

14 Share option scheme (continued)

The inputs into the option pricing models are as follows:

	2011	2012	2013
Weighted average exercise price	£0.95	£0.38	£0.01
Expected volatility	36.19%-43.77%	26.58%-40.64%	0.00%-86.81%
Expected life	2.5-6.5 years	3.0-7.1 years	0.0-7.1 years
Risk free interest rate	1.50%-4.94%	0.43%-2.69%	0.00%-2.69%
Expected dividends	Nil	Nil	Nil

The volatility of 2ergo Group PLC's share price on each date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on 2ergo Group PLC's stock, calculated over 1, 2, 3, 4, 5, 6 and 7 years back from the date of grant, where applicable.

2ergo Limited recognised a charge of £550,000 (2012: £37,000, 2011: £156,000) related to equity-settled share-based payment transactions in the year. £520,000 of this charge related to the Nil Cost Option and the Additional Option where the entire charge related to these options was recognised at the date of grant due to the vesting and exercise conditions attached to these options.

15 Operating lease commitments

At each year end, 2ergo Limited had aggregate minimum lease payments under non-cancellable operating leases for office and server sites and server equipment as follows:

	2011 £000	2012 £000	2013 £000
Due within 1 year	290	273	128
Due from one to five years	367	120	—
	<u>657</u>	<u>393</u>	<u>128</u>

The majority of 2ergo Limited's lease agreements are for initial terms of between 1 and 2 years, with the lease agreements then becoming cancellable with 1 to 3 months' notice period. A new lease for 2ergo Group PLC's head office has been entered after 31 August 2013 which can be cancelled after either 18 months or 5 years of its initial 10 year term.

16 Related party transactions

During the year ended 31 August 2013, 2ergo Limited was loaned a further £4,044,000 by 2ergo Group PLC for working capital purposes. At 31 August 2013, £9,609,000 (2012: £5,565,000, 2011: £5,919,000) was owed to 2ergo Group PLC. During the year ended 31 August 2013 a further £497,000 was loaned to TikTap Limited, a fellow subsidiary of 2ergo Group PLC, for working capital purposes. At 31 August 2013 £964,000 (2012: £467,000, 2011: £nil) was owed to 2ergo Limited by TikTap Limited. At 31 August 2013 £964,000 (2012 and 2011: £nil) had been provided against this debt. At 31 August 2013 £34,000 (2012: £34,000, 2011: £nil) was owed to 2ergo Limited by 2ergo Inc. At 31 August 2013, £304,000 (2012: £304,000, 2011: £304,000) was owed to 2ergo Limited by Lammtara Industries EBT Trustees Limited, a fellow subsidiary of 2ergo Group PLC. At 31 August 2013 £287,000 (2012 and 2011: £nil) had been provided against this debt.

None of the key management personnel of 2ergo Limited owe any amounts to any company within the group of 2ergo Group PLC (2012 and 2011: £nil), nor are any amounts due from any company in the 2ergo Group PLC group to any of the key management personnel (2012 and 2011: £nil).

17 Discontinued operations

Following a strategic review in the year ended 31 August 2012, 2ergo Limited discontinued certain of its UK legacy business lines during the year to 31 August 2012, such as offering subscription billing services to its clients. In accordance with IFRS 5 the results of these units are classified as discontinued operations in this financial information.

2ergo Limited

Historical financial information for the three years ended 31 August 2013

The results of the discontinued operations up until the point of disposal, which have been disclosed separately in the income statement, as required by IFRS 5, are as follows:

	2011 £000	2012 £000	2013 £000
Revenue	4,699	—	—
Expenses ⁽¹⁾	(2,164)	(6,515)	—
(Loss)/profit before tax	2,535	(6,515)	—
Taxation on (loss)/profit before tax	(287)	176	—
Loss on disposal of investments	—	(794)	—
Net (loss)/profit attributable to discontinued operations	2,248	(7,133)	—

⁽¹⁾ Expenses in 2012 include impairment of assets of £5,472,000, primarily relating to intangible assets (£3,362,000 – note 6) and waiver of intercompany amounts due associated with disposals of overseas subsidiaries by the group of 2ergo Group PLC (£2,052,000).

18 Ultimate holding company

The immediate and ultimate holding company is 2ergo Group PLC, a company incorporated in England and Wales.

19 Reconciliations from UK GAAP to IFRS

An explanation of how the transition from UK GAAP to IFRS has affected 2ergo Limited's financial position, financial performances and cash flows is set out below.

Reconciliation of income statement for the year ended 31 August 2013

	Note	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Continuing operations				
Revenue		3,491	—	3,491
Cost of sales		(2,328)	—	(2,328)
Gross profit		1,163	—	1,163
Administrative costs	a	(6,759)	10	(6,749)
Operating profit		(5,596)	10	(5,586)
Finance income		—	—	—
Loss before tax		(5,596)	10	(5,586)
Taxation	c	313	120	433
Loss for the year from continuing operations		(5,283)	130	(5,153)
Discontinued operations				
Loss for the year from discontinued operations		—	—	—
Loss for the year		(5,283)	130	(5,153)

2ergo Limited
Historical financial information for the three years ended 31 August 2013

19 Reconciliations from UK GAAP to IFRS (continued)

Reconciliation of income statement for the year ended 31 August 2012

	Note	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Continuing operations				
Revenue		8,256	—	8,256
Cost of sales		(5,551)	—	(5,551)
Gross profit		2,705	—	2,705
Administrative costs	a	(9,394)	15	(9,379)
Operating profit		(6,689)	15	(6,674)
Finance income		4	—	4
Loss before tax		(6,685)	15	(6,670)
Taxation		1,027	—	1,027
Loss for the year from continuing operations		(5,658)	15	(5,643)
Discontinued operations				
Loss for the year from discontinued operations		(7,133)	—	(7,133)
Loss for the year		(12,791)	15	(12,776)

Reconciliation of income statement for the year ended 31 August 2011

	Note	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Continuing operations				
Revenue		10,117	—	10,117
Cost of sales		(6,339)	—	(6,339)
Gross profit		3,778	—	3,778
Administrative costs		(7,157)	—	(7,157)
Operating profit		(3,379)	—	(3,379)
Finance income		2	—	2
Loss before tax		(3,377)	—	(3,377)
Taxation		538	—	538
Loss for the year from continuing operations		(2,839)	—	(2,839)
Discontinued operations				
Loss for the year from discontinued operations		2,248	—	2,248
Loss for the year		(591)	—	(591)

Reconciliation of UK GAAP loss to IFRS loss

	Note	Year ended 31 August 2011 £000	Year ended 31 August 2012 £000	Year ended 31 August 2013 £000
Loss after tax as reported under UK GAAP		(591)	(12,791)	(5,283)
Adjustments for:				
Short term employee benefits	a	—	15	10
Deferred tax	c	—	—	120
Loss after tax as reported under IFRS		(591)	(12,776)	(5,153)

2ergo Limited
Historical financial information for the three years ended 31 August 2013
19 Reconciliations from UK GAAP to IFRS (continued)
Reconciliation of balance sheet at 31 August 2013

	Note	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets				
Intangible assets		3,018	—	3,018
Property, plant and equipment		284	—	284
Investments		—	—	—
		<u>3,302</u>	<u>—</u>	<u>3,302</u>
Current assets				
Trade and other receivables		938	—	938
Cash and cash equivalents		35	—	35
		<u>973</u>	<u>—</u>	<u>973</u>
Total assets		<u>4,275</u>	<u>—</u>	<u>4,275</u>
Current liabilities				
Trade and other payables	a	(10,669)	(17)	(10,686)
Non-current liabilities				
Deferred tax liability	c	(332)	200	(132)
Total liabilities		<u>(11,001)</u>	<u>183</u>	<u>(10,818)</u>
Net liabilities		<u>(6,726)</u>	<u>183</u>	<u>(6,543)</u>
Capital and reserves attributable to equity holders of the parent				
Share capital		11	—	11
Share premium		1,765	—	1,765
Capital redemption reserve		1	—	1
Share option reserve		1,287	—	1,287
Retained losses	a,c	(9,790)	183	(9,607)
Total equity		<u>(6,726)</u>	<u>183</u>	<u>(6,543)</u>

2ergo Limited
Historical financial information for the three years ended 31 August 2013
19 Reconciliations from UK GAAP to IFRS (continued)
Reconciliation of balance sheet at 31 August 2012

	Note	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets				
Intangible assets		2,844	—	2,844
Property, plant and equipment		564	—	564
Investments		—	—	—
		<u>3,408</u>	<u>—</u>	<u>3,408</u>
Current assets				
Trade and other receivables		2,137	—	2,137
Cash and cash equivalents		508	—	508
		<u>2,645</u>	<u>—</u>	<u>2,645</u>
Total assets		<u>6,053</u>	<u>—</u>	<u>6,053</u>
Current liabilities				
Trade and other payables	a	(7,683)	(27)	(7,710)
Non-current liabilities				
Deferred tax liability		(363)	—	(363)
Total liabilities		<u>(8,046)</u>	<u>(27)</u>	<u>(8,073)</u>
Net liabilities		<u>(1,993)</u>	<u>(27)</u>	<u>(2,020)</u>
Capital and reserves attributable to equity holders of the parent				
Share capital		11	—	11
Share premium		1,765	—	1,765
Capital redemption reserve		1	—	1
Share option reserve		873	—	873
Retained losses	a	(4,643)	(27)	(4,670)
Total equity		<u>(1,993)</u>	<u>(27)</u>	<u>(2,020)</u>

2ergo Limited
Historical financial information for the three years ended 31 August 2013
19 Reconciliations from UK GAAP to IFRS (continued)
Reconciliation of balance sheet at 31 August 2011

	Note	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets				
Intangible assets		10,781	—	10,781
Property, plant and equipment		787	—	787
Investments		268	—	268
		<u>11,836</u>	<u>—</u>	<u>11,836</u>
Current assets				
Trade and other receivables	a	5,986	14	6,000
Cash and cash equivalents		1,712	—	1,712
		<u>7,698</u>	<u>14</u>	<u>7,712</u>
Total assets		<u>19,534</u>	<u>14</u>	<u>19,548</u>
Current liabilities				
Trade and other payables	a	(7,896)	(56)	(7,952)
Non-current liabilities				
Deferred tax liability		(877)	—	(877)
Total liabilities		<u>(8,773)</u>	<u>(56)</u>	<u>(8,829)</u>
Net assets		<u>10,761</u>	<u>(42)</u>	<u>10,719</u>
Capital and reserves attributable to equity holders of the parent				
Share capital		11	—	11
Share premium		1,765	—	1,765
Capital redemption reserve		1	—	1
Share option reserve		839	—	839
Retained losses	a	8,145	(42)	8,103
Total equity		<u>10,761</u>	<u>(42)</u>	<u>10,719</u>

Reconciliation of balance sheet at 31 August 2010

	Note	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets				
Intangible assets	b	8,655	8	8,663
Property, plant and equipment		963	—	963
Investments		268	—	268
		<u>9,886</u>	<u>8</u>	<u>9,894</u>
Current assets				
Stock	b	8	(8)	—
Trade and other receivables	a	7,132	13	7,145
Cash and cash equivalents		429	—	429
		<u>7,569</u>	<u>5</u>	<u>7,574</u>
Total assets		<u>17,455</u>	<u>13</u>	<u>17,468</u>
Current liabilities				
Trade and other payables	a	(5,173)	(55)	(5,228)
Non-current liabilities				
Deferred tax liability		(1,086)	—	(1,086)
Total liabilities		<u>(6,259)</u>	<u>(55)</u>	<u>(6,314)</u>
Net assets		<u>11,196</u>	<u>(42)</u>	<u>11,154</u>

2ergo Limited**Historical financial information for the three years ended 31 August 2013****19 Reconciliations from UK GAAP to IFRS (continued)****Reconciliation of UK GAAP equity to IFRS equity**

	Note	1 September As at 2010 £000	31 August As at 2011 £000	31 August As at 2012 £000	31 August As at 2013 £000
Total equity as reported under UK GAAP		11,196	10,761	(1,993)	(6,726)
Adjustments for:					
Short term employee benefits	a	(42)	(42)	(27)	(17)
Deferred tax	c	—	—	—	200
Total equity as reported under IFRS		<u>11,154</u>	<u>10,719</u>	<u>(2,020)</u>	<u>(6,543)</u>

Notes to the reconciliations

- a) Under IAS 19 Employee Benefits, all accumulating employee-compensated absences (e.g. holiday pay) must be recognised as they are earned. Accordingly an asset or liability will be recognised relating to the actual absences that have occurred compared to the number earned. There is no similar requirement under UK GAAP. As a result of this adjustment, loss in the year to 31 August 2013 decreases by £10,000 (2012: £15,000, 2011: £nil) and as at 31 August 2013 net current liabilities increase by £17,000 (2012: £27,000, 2011: £42,000).
- b) The adoption of IFRS has caused 2ergo Limited to review all of its accounting policies and disclosures, including those related to historic databases of mobile phone numbers held in previous periods. 2ergo Limited has determined that these databases were more appropriately classified as intellectual property within intangible assets and accordingly non-current assets at 31 August 2013 increase by £nil (2012 and 2011: £nil, 2010: £8,000), with a respective decrease in current assets at each reporting date.
- c) Under UK GAAP, deferred tax was recognised on the timing difference between the intrinsic value of the share option apportioned over the vesting period of the option and the charge to the profit and loss account. Under IFRS, deferred tax is recognised on the temporary difference apportioning it over the vesting period of the option. As a result of this adjustment, loss in the year to 31 August 2013 decreases by £120,000 (2012 and 2011: £nil). The deferred tax liability at 31 August 2013 decreases by £200,000 (2012 and 2011: £nil).

PART V

PRO FORMA STATEMENT OF NET ASSETS

Set out below is an unaudited Pro Forma Statement of Net Assets for the Enlarged Group, which has been prepared by the Directors and Proposed Directors on the basis of the notes set out below, to show the effect of the Placing and Acquisition on the net assets of the Group as at 31 December 2013, as if the Placing and Acquisition had occurred on that date.

It is the sole responsibility of the Directors and Proposed Directors to prepare the Pro Forma Statement of Net Assets. The Pro Forma Statement of Net Assets has been prepared by the Directors and Proposed Directors for illustrative purposes only and, because it addresses a hypothetical situation, does not represent the Enlarged Group's actual financial position either prior to or following the Placing and Acquisition.

	Net Assets of Eagle Eye Solutions Ltd as at 31 December 2013 (Note 1)	Placing (Note 2)	Acquisition Cash Consideration (Note 3)	Net Assets of 2ergo Ltd as at 31 August 2013 (Note 4)	Adjustments (Note 5)	Pro Forma Net Assets of the Enlarged Group
	£	£	£	£	£	£
Assets						
Non-current assets						
Intangible assets	633,688	—	—	3,018,000	63,000	3,714,688
Property, plant and equipment	16,133	—	—	284,000	—	300,133
Investments in associates	—	—	—	—	—	—
	<u>649,821</u>	<u>—</u>	<u>—</u>	<u>3,302,000</u>	<u>63,000</u>	<u>4,014,821</u>
Current assets						
Trade and other receivables	473,699	—	—	938,000	—	1,411,699
Cash and cash equivalents	1,154,738	4,902,452	(2,500,000)	35,000	—	3,592,190
	<u>1,628,437</u>	<u>4,902,452</u>	<u>(2,500,000)</u>	<u>973,000</u>	<u>—</u>	<u>5,003,889</u>
Total assets	<u>2,278,258</u>	<u>4,902,452</u>	<u>(2,500,000)</u>	<u>4,275,000</u>	<u>63,000</u>	<u>9,018,710</u>
Non-current liabilities						
Deferred tax provision	—	—	—	132,000	—	132,000
	<u>—</u>	<u>—</u>	<u>—</u>	<u>132,000</u>	<u>—</u>	<u>132,000</u>
Current liabilities						
Trade and other payables	635,483	—	—	10,686,000	(9,609,000)	1,712,483
Deferred licence provision	—	—	—	—	—	—
	<u>635,483</u>	<u>—</u>	<u>—</u>	<u>10,686,000</u>	<u>(9,609,000)</u>	<u>1,712,483</u>
Total Liabilities	<u>635,483</u>	<u>—</u>	<u>—</u>	<u>10,818,000</u>	<u>(9,609,000)</u>	<u>1,844,483</u>
Net Assets	<u>1,642,775</u>	<u>4,902,452</u>	<u>(2,500,000)</u>	<u>(6,543,000)</u>	<u>9,672,000</u>	<u>7,174,227</u>

Notes:

1. The net assets figures of Eagle Eye Solutions Limited have been extracted without manual adjustment from the audited historical financial information as at 31 December 2013 as set out in Part III of this document.
2. The gross Placing proceeds are £6.0 million. Issue costs are £1.1 million, giving net Placing proceeds of £4.9 million.
3. The Acquisition comprises the consideration payable to 2ergo Group PLC of £4,500,000 (to be satisfied by the issue of 1,219,512 Ordinary Shares at the Placing Price (£2,000,000)) and in addition £2,500,000 payable in cash, which is reflected in the pro forma above.
4. The net asset figures of 2ergo Limited have been extracted without material adjustment from the audited historical financial information as at 31 August 2013 as set out in Part IV of this document.
5. The adjustment reflects the patents acquired from 2ergo Group PLC as part of the Acquisition and the waiver of the intercompany debt due from 2ergo Limited to 2ergo Group PLC which took place shortly before the Acquisition.
6. No account has been taken of any movement in the net assets of Eagle Eye Solutions Limited since 31 December 2013 or 2ergo Limited since 31 August 2013, nor of any other event save as disclosed above.

PART VI

ADDITIONAL INFORMATION

1. Responsibility statement

The Company, the Directors and the Proposed Directors (whose names appear on page 2 of this document) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company, the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. History and development

- 2.1 The Company was incorporated and registered in England and Wales on 12 February 2014 as a public company limited by shares under the Companies Act with the name Eagle Eye Solutions Group PLC and with the registered number 08892109. The Company is domiciled in the United Kingdom. The principal legislation under which the Company operates is the Companies Act.
- 2.2 The liability of the members of the Company is limited to the amount paid up or to be paid up on their shares.
- 2.3 The Company's registered office is at 5 New Street Square, London EC4A 3TW and its principal place of business is at 3000 Cathedral Hill, Guildford, Surrey, GU2 7YB, telephone number 01483 246 426.
- 2.4 The Company entered into the Acquisition Agreement on 21 March 2014 following completion of which 2ergo will become a wholly owned subsidiary of the Company conditional on Admission. All references to 2ergo in the remainder of this Part VI assume that the Acquisition completes on Admission and reflects the position as it will be at Admission based on this assumption.

3. Organisational structure

The Company, which is the ultimate holding company of the Group, has the following significant subsidiaries:

<i>Name</i>	<i>Activity</i>	<i>Country of Incorporation</i>	<i>Proportion of shares held</i>
Eagle Eye Solutions Limited	Trading Company	England and Wales	100%
2ergo Limited (assuming completion of the Acquisition)	Trading Company	England and Wales	100%

4. Share capital

- 4.1 On incorporation, one ordinary share of £1 was issued to Phill Blundell (the "Subscriber Share").
- 4.2 On 12 February 2014, one ordinary share of £1 was issued to Steve Rothwell (together with the Subscriber Share, the "Initial Shares").
- 4.3 By ordinary and special resolutions dated 18 March 2014:
 - 4.3.1 the share capital of the Company was altered by the sub-division of the Initial Shares into 200 ordinary shares of £0.01 each;
 - 4.3.2 the Directors were authorised, until 31 May 2014, to allot Ordinary Shares or grant rights to subscribe for or convert any security into Ordinary Shares up to an aggregate nominal amount of £136,413.84 in connection with the Share Exchange Agreement;
 - 4.3.3 the Directors were authorised, until 31 May 2014, to allot Ordinary Shares or grant rights to subscribe for or convert any security into Ordinary Shares up to an aggregate nominal amount of £81,632.64 in connection with the Placing;

- 4.3.4 the Directors were authorised, until 31 May 2014, to allot Ordinary Shares or grant rights to subscribe for or convert any security into Ordinary Shares up to an aggregate nominal amount of £23,833.76 in connection with replacement options granted pursuant to the Existing Share Option Schemes;
- 4.3.5 the Directors were authorised, until 31 May 2014, to allot Ordinary Shares or grant rights to subscribe for or convert any security into Ordinary Shares up to an aggregate nominal amount of £13,605.44 in connection with the issue of Consideration Shares under the Acquisition Agreement;
- 4.3.6 the Directors were generally authorised to allot:
 - 4.3.6.1 Ordinary Shares up to an aggregate nominal amount of £63,621.53; and
 - 4.3.6.2 equity securities up to an aggregate nominal amount of £127,253.06 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph 4.3.6.1 above),
 such authority to expire at the Company's next annual general meeting or if earlier, 15 months from the date of the resolution;
- 4.3.7 the purchase by the Company of 2,040 shares in Eagle Eye Solutions Limited from Phill Blundell in exchange for non-cash consideration of 32,540 Ordinary Shares was approved;
- 4.3.8 the purchase by the Company of 87,883 shares in Eagle Eye Solutions Limited from Steve Rothwell in exchange for non-cash consideration of 1,406,028 Ordinary Shares was approved;
- 4.3.9 the Company adopted the New Share Option Schemes, further details of which are set out in paragraph 16 of Part 1 of this document;
- 4.3.10 the pre-emption rights of section 561(1) of the Companies Act were disapplied so that the Directors were authorised to allot equity securities for cash pursuant to the authorities described in paragraph 4.3.3 - 4.3.5 (inclusive) above as if section 561(1) of the Companies Act did not apply to such allotments;
- 4.3.11 the Directors were generally authorised to allot equity securities for cash as if section 561(1) of the Companies Act did not apply to such allotment, pursuant to the authority described in paragraph 4.3.6, up to an aggregate nominal amount of £19,083.76, until the Company's next annual general meeting or if earlier, 15 months from the date of the resolution;
- 4.3.12 the Company was authorised, until its next annual general meeting or if earlier, 15 months from the date of the resolution, to make market purchases of Ordinary Shares provided that (i) the maximum aggregate number of Ordinary Shares that may be purchased is 954,188; (ii) the minimum price which may be paid for each Ordinary Share is £0.01; and (iii) the maximum price which may be paid for each Ordinary Share is the higher of (A) 5 per cent. above the average middle market value of an Ordinary Share for the five business days prior to the day the purchase is made and (B) the higher of the price of the last independent trade and the highest current independent bid for Ordinary Shares on the London Stock Exchange; and
- 4.3.13 the Company adopted the Articles.
- 4.4 On 18 March 2014, 13,641,384 Ordinary Shares in aggregate were allotted as consideration to the holders of shares in Eagle Eye Solutions Limited pursuant to the Share Exchange Agreement. Further details of the Share Exchange Agreement are contained in paragraph 12.8 of this Part VI.
- 4.5 On 27 March 2014, 137,776 Ordinary Shares were issued to Sir Terry Leahy. These shares are subject to selling restrictions, further details of which are contained in paragraph 12.11 of this Part VI.
- 4.6 On 27 March 2014, outstanding options over a total of 272,832 Ordinary Shares under the Existing Unapproved Scheme were exercised by an option holder.
- 4.7 On 7 April 2014, outstanding options over 97,920 Ordinary Shares under the Existing Unapproved Scheme were exercised by an option holder.

- 4.8 Immediately prior to Admission, outstanding options over a total of 1,102,992 Ordinary Shares under the Existing EMI Scheme will be exercised by option holders.
- 4.9 The Company's issued and fully paid share capital, as at the date of this document and as it will be on completion of the Placing and Admission, is as follows:

<i>Ordinary Shares at the date of this document</i>		<i>Ordinary Shares upon completion of the Acquisition, Placing and Admission</i>	
Number	£	Number	£
14,150,112	141,501.12	20,131,152	201,311.52

- 4.10 The proposed issue of the Ordinary Shares pursuant to the Placing and the Acquisition Agreement will be carried out pursuant to the authorities referred to in paragraph 4.3 of this Part VI.
- 4.11 Save as disclosed in paragraphs 7 and 8 of this Part VI, the Company has not issued any partly paid shares nor any convertible securities, exchangeable securities or securities with warrants. The Company does not hold any treasury shares.
- 4.12 There are no shares in the share capital of the Company that do not represent capital.
- 4.13 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.14 No shares in the capital of the Company are held by or on behalf of the Company or by any subsidiary.
- 4.15 The Company has no authorised but unissued share capital and, except for the obligation to allot Ordinary Shares pursuant to the Placing, the Acquisition Agreement and the options referred to in paragraphs 7 or 8 of this Part VI, there are no acquisition rights and/or obligations requiring share capital to be issued nor is there any undertaking to increase the share capital.
- 4.16 Save as disclosed in this paragraph 4 or in paragraphs 7 or 8 of this Part VI, no capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.
- 4.17 No Director nor any member of his family or any person connected with him has a Related Financial Product (as defined in the AIM Rules) referenced to Ordinary Shares.

5. Major Interests

- 5.1 So far as is known to the Company, the persons and their immediate families, other than the Directors or Proposed Directors and their immediate families, who hold or who are deemed to hold three per cent. or more of the voting rights in respect of the Ordinary Shares in issue (whether directly or indirectly or through direct or indirect holdings of financial instruments or through a combination of such holdings) as at the date of this document and immediately following the Placing and Admission are as follows:

<i>Name</i>	<i>As at the date of this document</i>		<i>Following the Placing and Admission</i>	
	<i>Number of Ordinary Shares held</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares held</i>	<i>Percentage of Existing Ordinary Shares</i>
Andrew Sutcliffe	1,799,840	12.72	1,860,815	9.24
Christopher Gorell Barnes	1,542,720	10.90	1,551,866	7.71
Julian Reiter	1,368,000	9.67	1,392,390	6.92
Edward Pippin	1,140,000	8.06	855,000	4.25
Timothy Miller	912,000	6.45	972,975	4.83
Nigel Wilson	533,440	3.77	533,440	2.65
Simon Burke	480,048	3.39	480,048	2.38
Robert Willett	440,464	3.11	501,439	2.49
2ergo Group PLC	—	—	1,219,512	6.06
Hargreave Hale Limited	—	—	670,732	3.33
Inflection Point Investments LLP	—	—	670,732	3.33

- 5.2 All Shareholders have the same voting rights in respect of the Ordinary Shares held by them.

- 5.3 So far as the Company is aware, the Company is not owned or controlled directly or indirectly by any entity.
- 5.4 In addition, as far as the Company is aware there are no arrangements in place, the operation of which may at a subsequent date result in a change of control of the Company.

6. Articles of Association

- 6.1 The Articles, which were adopted by a special resolution of the Company on 18 March 2014, contain certain provisions, the material provisions of which are set out below. This is a description of significant rights and does not purport to be complete or exhaustive.

6.2 *Objects*

Pursuant to section 31 of the Companies Act, the objects for which the Company is established are unrestricted and the Company has full power and authority to carry out any object not prohibited by law.

6.3 *Votes of members*

Subject to the provisions of the Companies Act and to any special rights or restrictions as to voting attached to any shares or class of shares or otherwise provided by the Articles:

- 6.3.1 on a show of hands every member who is present in person shall have one vote;
- 6.3.2 every proxy present who has been duly appointed by one or more members entitled to vote on the resolution shall have one vote, except that if the proxy has been duly appointed by more than one member entitled to vote on the resolution and is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way) he shall have one vote for and one vote against the resolution;
- 6.3.3 every corporate representative present who has been duly authorised by a corporation shall have the same voting rights as the corporation would be entitled to; and
- 6.3.4 on a poll every member who is present in person or by duly appointed proxy or corporate representative shall have one vote for every share of which he is the holder or in respect of which his appointment of proxy or corporate representative has been made.

6.4 *Restriction on rights of members where calls outstanding*

Unless the Board otherwise determines, no member shall be entitled to receive any dividend or to be present and vote at a general meeting or at any separate general meeting of the holders of any class of shares either personally or by proxy, or to be reckoned in a quorum, or to exercise any other right or privilege conferred by membership in respect of a share held by him in relation to meetings of the Company unless and until he shall have paid all calls or other sums presently due and payable by him, whether alone or jointly with any other person, to the Company.

6.5 *Transfer of shares*

Subject to the provisions in the Articles regarding uncertificated shares, all transfers of certificated shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Board and may be under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. In relation to both certificated and uncertificated shares, the transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares. All instruments of transfer which are registered may be retained by the Company.

6.6 *Dividends*

Subject to the provisions of the Companies Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective

rights and interests but no such dividends shall exceed the sum recommended by the Board. All unclaimed dividends may be made use of by the Board for the Company's benefit until claimed. Any dividend unclaimed for 12 years shall revert to the Company.

6.7 *Capitalisation of profits and reserves*

- 6.7.1 The Board may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts (including any share premium account, capital redemption reserve, or other undistributable reserve) or any sum standing to the credit of profit and loss account.
- 6.7.2 Such capitalisation shall be effected by appropriating such sum to the holders of ordinary shares on the register of members of the Company at the close of business on the date of the resolution (or such other date as may be specified in such resolution or determined as provided in such resolution) in proportion to their holdings of ordinary shares and applying such sum on their behalf in paying up in full unissued ordinary shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them in proportion to their holdings.
- 6.7.3 The Board may do all acts and things considered necessary or expedient to give effect to any such capitalisation, with full power to the Board to make such provision as it thinks fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit of such fractional entitlements accrues to the Company rather than to the members concerned). The Board may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such capitalisation and matters incidental to such capitalisation and any agreement made under such authority shall be effective and binding on all concerned.

6.8 *Share capital*

6.8.1 Variation of Rights

Whenever the share capital of the Company is divided into different classes of shares, the special rights for the time being attached to any share or class of share in the Company may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting all the provisions of these articles relating to general meetings of the Company and to the proceedings at such general meetings shall with necessary modifications apply, except that:

- 6.8.1.1 the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal value paid up of the issued shares of the class (but so that if at any adjourned meeting a quorum as defined above is not present, any one holder of any shares of the class present in person or by proxy shall be a quorum); and
- 6.8.1.2 any holder of shares of the class present in person or by proxy may demand a poll and every such holder shall on a poll have one vote for every share of the class held by him.

The article only applies to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights of which are to be varied.

6.8.2 *Special rights*

The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue of that class of shares, be deemed to be varied:

- 6.8.2.1 by the allotment or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects equally with such shares but in no respect in priority to such shares;
- 6.8.2.2 by the purchase by the Company of any of its own shares (and the holding of any such shares as treasury shares); or
- 6.8.2.3 the Board resolving that a class of shares shall become, or the operator of the relevant system permitting such class of shares to be, a participating security (the phrases “operator”, “relevant system” and “participating security” having the meanings set out in the CREST Regulations).

6.8.3 Sub-division of shares

Whenever the Company sub-divides its shares, or any of them, into shares of smaller nominal value, the Company may, by ordinary resolution determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared to the others.

6.8.4 Purchase of own shares

Where there are in issue convertible securities convertible into or carrying a right to subscribe for equity shares of a class proposed to be purchased, a separate meeting of the holders of the convertible securities must be held and their approval by extraordinary resolution obtained before the Company enters into any contract to purchase equity shares of the relevant class. Subject to this and notwithstanding anything to the contrary contained in the articles, the rights and privileges attached to any class of shares shall be deemed not to be altered or abrogated by anything done by the Company in pursuance of any resolution passed under the powers conferred by the Companies Act.

6.9 Directors

6.9.1 Number of Directors

Subject as provided in the Articles the directors of the Company shall not be fewer than two nor greater than twelve. The Company may by ordinary resolution from time to time vary the minimum number and/or maximum number of directors.

6.9.2 Directors' fees

The ordinary remuneration of the directors shall from time to time be determined by the Board except that such remuneration shall not exceed £750,000 per annum in aggregate or such higher sum as may from time to time be determined by ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the directors as the Board may agree, or, failing agreement, equally, except that any director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Any director who holds any executive office may be paid such extra remuneration or may receive such other benefits as the Board may determine.

6.9.3 Directors' expenses

The Board may repay to any director all such reasonable expenses as he may properly incur in attending and returning from meetings of the Board or of any committee of the Board or shareholders' meetings or otherwise in connection with the performance of his duties as a director of the Company.

6.9.4 Directors' pensions and other benefits

The Board shall have power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any director or ex-director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

6.9.5 Directors' permitted interests

Provided (if the Articles so require) that he has declared to the directors, the nature and extent of any interest, a director may (save as to the extent not permitted by law), have an interest of the following kind; namely:

6.9.5.1 where a director (or a person connected with him) is party to, or directly or indirectly interested in, or has any duty in respect of, any existing or proposed contract, arrangement or transaction with the Company or any other undertaking in which the Company is interested;

6.9.5.2 where a director (or a person connected with him) is a director, employee or other officer of, or a party to any arrangement or transaction with, or interested in, any body corporate promoted by the Company or in which the Company is interested;

6.9.5.3 where a director (or a person connected with him) is directly or indirectly interested in shares or share options of the Company or is directly or indirectly interested in shares or share options of, or an employee, director or other officer of a parent undertaking of, or a subsidiary undertaking of a parent undertaking of, the Company;

6.9.5.4 where a director (or a person connected with him) holds and is remunerated in respect of any office or place of profit (other than the office of auditor) under the Company or body corporate in which the Company is interested;

6.9.5.5 where a director is given, or is to be given, a guarantee in respect of an obligation incurred by or on behalf of the Company or any body corporate in which the Company is interested;

6.9.5.6 where a director (or a person connected with him or of which he is a member or employee) acts (or any body corporate promoted by the Company or in which the Company is interested of which he is a director, employee or other officer acts) in a professional capacity for the Company or any body corporate promoted by the Company or in which the Company is interested (other than as auditor) whether or not he or it is remunerated for this;

6.9.5.7 an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest; or

6.9.5.8 any other interest authorised by ordinary resolution.

No authorisation pursuant to the articles shall be necessary in respect of the above interests.

6.9.6 Authorisation of directors' interests

6.9.6.1 The directors shall have the power, subject to the articles, to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. Any authorisation will only be effective if any quorum requirement at any meeting in which the matter was considered is met without counting the Director in question or any other interested director and the matter was agreed to without their voting or would have been agreed to if their votes had not been counted. The Board may impose limits or conditions on any such authorisation or may vary or terminate it at any time.

- 6.9.6.2 Subject to the Companies Act, the Company may by ordinary resolution ratify any contract, transaction or arrangement, or other proposal, not properly authorised by reason of a contravention of any provisions of the articles.
- 6.9.6.3 Subject to the article as summarised in paragraph 6.9(f)(iv) below, if a director, otherwise than by virtue of his position as director, receives information in respect of which he owes a duty of confidentiality to a person other than the Company, he shall not be required:
 - 6.9.6.4 to disclose such information to the Company or to the directors, or any other officer or employee of the Company; or
 - 6.9.6.5 otherwise to use such information for the purpose of or in connection with the performance of his duties as a director.
- 6.9.6.6 Where such duty of confidentiality arises out of a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company the article as summarised in paragraph 6.9(f)(iii) shall apply only if the conflict arises out of a matter which is permitted or has been authorised by the articles (subject to any imposed restrictions).
- 6.9.7 Provisions applicable to declarations of interest
 - 6.9.7.1 Subject to the Companies Act and the articles summarised in paragraphs 6.9(f) a director shall declare to the other directors the nature and extent of his interest:
 - 6.9.7.1.1 if such interest is permitted under the articles and is an interest which may reasonably be regarded as likely to give rise to a conflict of interest;
 - 6.9.7.1.2 if he is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company; or
 - 6.9.7.1.3 if he is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company, unless the interest has been so declared.
 - 6.9.7.2 A director need not declare an interest:
 - 6.9.7.2.1 if it cannot reasonably be regarded as likely to give rise to a conflict of interest;
 - 6.9.7.2.2 if, or to the extent that, the other directors are already aware of it (or ought reasonably to be aware); or
 - 6.9.7.2.3 if it concerns terms of his service contract that have been or are to be considered by a meeting, or a committee, of the directors appointed for the purpose.
- 6.9.8 Appointment of executive directors

The Board may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of chairman or deputy chairman) on such terms and for such period as they may (subject to the provisions of the Companies Act) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.
- 6.9.9 Powers of executive directors

The Board may entrust to and confer upon any director holding any executive office any of the powers exercisable by them as directors upon such terms and conditions and with such restrictions as they think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

6.10 *Appointment and retirement of directors*

6.10.1 Power of Company to appoint directors

Subject to the provisions of the Articles, the Company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board.

6.10.2 Power of Board to appoint directors

Without prejudice to the power of the Company in general meeting pursuant to any of the provisions of these articles to appoint any person to be a director, the Board may appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board. Any director so appointed must retire from office at, or at the end of, the next following annual general meeting and will then be eligible to stand for election but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at that meeting.

6.10.3 Retirement by rotation

At each annual general meeting one-third of the directors for the time being shall retire from office by rotation (or, if their number is not a multiple of three, the number nearest to but not exceeding one-third) shall so retire provided always that all directors must be subject to re-election at intervals of no more than three years.

6.10.4 Selection of directors to retire by rotation

The directors to retire by rotation shall include (so far as necessary to obtain the number required) any director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election and so that as between persons who became or were last re-elected directors on the same day those to retire shall, unless they otherwise agree among themselves, be determined by lot together with those who in the absence of any such retirement would continue in office for a period in excess of three years. A retiring director shall be eligible for re-election.

6.10.5 Vacation of office

The office of a director shall be vacated if:

6.10.5.1 he ceases to be a director by virtue of any provision of the Companies Act or he becomes prohibited by law from being a director;

6.10.5.2 he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Companies Act;

6.10.5.3 he is, or may be suffering from mental disorder and either:

6.10.5.3.1 he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1960; or

6.10.5.3.2 an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs;

6.10.5.4 he resigns by writing under his hand left at the Company's registered office or he offers in writing to resign and the Board resolves to accept such offer;

6.10.5.5 he shall for more than six consecutive months have been absent without permission of the Board from meetings of the Board held during that period and the Board resolves that his office be vacated; or

6.10.5.6 notice stating he is removed from office as a director is served upon him signed by all his co-directors who must account to the members at the next general meeting of the Company. If a director holds an appointment to an executive office which automatically determines on his removal from office under this or the preceding sub-paragraph such removal shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company.

6.10.6 Removal of director

The Company may in accordance with and subject to the provisions of the Companies Act by ordinary resolution of which special notice has been given remove any director from office (notwithstanding any provision of these articles or of any agreement between the Company and such director, but without prejudice to any claim he may have for damages for breach of any such agreement) and elect another person in place of a director so removed from office.

6.11 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

6.12 *Variation of Shareholder rights*

The rights attaching to shares in the Company are set out in the Articles and summarised above. For these rights to be varied or changed would require a general meeting of the Company to be convened. This would require 21 days written notice (in the absence of shareholders who together hold not less than 95 per cent. in nominal value of shares giving a right to attend and vote at the meeting deciding otherwise) to be given to each holder of shares of the relevant class. Each shareholder would have the right to attend the general meeting in person or by proxy and vote on the resolution to be proposed. Such resolution would be a special resolution of the Company and requires a majority of not less than three-fourths of shareholders voting in person or by proxy at such general meeting.

6.13 *Shareholder meetings*

The Company must in each year hold a general meeting as its annual general meeting (or "AGM"). Not more than 15 months can elapse between AGMs. An AGM must be convened, unless all shareholders entitled to attend and vote agree to short notice, on giving 21 days' notice in writing to the members of the Company.

Other meetings can be convened by the Company from time to time referred to as extraordinary general meetings (or "GMs"). The length of written notice to convene such a meeting is 14 clear days.

GMs can be convened on shorter notice with the agreement of shareholders being a majority in number and holding not less than 95 per cent. in nominal value of the shares giving a right to attend and vote at the meeting.

Shareholders need not attend a meeting of the Company in person but can do so by way of a validly appointed proxy. Proxies are appointed in accordance with the Company's articles of association. In essence, to be validly appointed, details of the proxy must be lodged at the Company's registered office no later than 48 hours before the commencement of the relevant meeting. Failure to lodge details of the appointed proxy in accordance with the Articles could result in the vote of the proxy being excluded on any resolution and possibly to the exclusion of the proxy from the meeting unless they were also a shareholder.

If a shareholder is a corporation, whether or not a company, it can pass a resolution of its directors or other governing body to authorise such person as it thinks fit to act as its representative at any meeting of the Company or class meeting of shareholders of the Company.

6.14 *Notification of major holdings of Ordinary Shares*

Whilst disclosure of shareholdings is not a requirement of the Company's Articles, chapter 5 of the Disclosure and Transparency Rules makes provision regarding notification of certain shareholdings and holdings of financial instruments.

Where a person holds voting rights in the Company as shareholder or through direct or indirect holdings of financial instruments then the person has an obligation to make a notification to the FSA and the Company of the percentage of voting rights held where that percentage reaches, exceeds or falls below three per cent. or any whole percentage figure above three per cent.

The requirement to notify also applies where a person is an indirect shareholder and can acquire, dispose of or exercise voting rights in certain cases.

7. Existing Share Option Schemes

7.1 The Group has two share option schemes (together referred to as the "Existing Share Option Schemes") under which Options are currently outstanding over Ordinary Shares, in order to allow selected employees and directors to share in the success of the Group and to incentivise and retain key staff members. There is the Existing EMI Scheme and the Existing Unapproved Scheme.

7.2 The Options were granted as a result of an option exchange, whereby options over shares in Eagle Eye Solutions Limited ("Old Options") were released in consideration of the grant of Options over Ordinary Shares on the same terms as the Old Options save that the Options are over 16 times the number of Ordinary Shares compared to the number of Eagle Eye Solutions Limited shares under the Old Options and the exercise price per Ordinary Share under the Options is one-sixteenth of the exercise price of the Old Options²⁰.

7.3 **Existing EMI Scheme**

7.3.1 Eligibility: Employees are eligible to be granted EMI options if they satisfy certain qualifying requirements in the EMI legislation including working time.

7.3.2 Grants of options: Grants may be made at the discretion of the Board. EMI grants should be reported to HMRC.

7.3.3 Performance criteria: Options may be granted subject to objective performance targets. The Board has the discretion to vary, waive or adjust performance targets but cannot make them more difficult to satisfy.

7.3.4 Exercise price: The exercise price is determined by the Board in its discretion, but may not be less than the nominal value.

7.3.5 Individual limits: There are no individual limits in the rules, but EMI options will only attract tax favoured treatment if the options are granted over shares with a market value at grant of no more than £250,000.

7.3.6 Total number of shares available: There are no overall company limits in the rules, but there is an overall EMI limit for the Company of £3 million (determined by the market value at grant of the options).

7.3.7 Exercise of options: Normally, options cannot be exercised until there is a sale, listing or asset sale relating to the Company. The options to the extent vested are then exercisable. To the extent that options are not exercised on such an event the options will lapse. The Board has a discretion to allow options to be exercised at any time whether or not they are vested. The Board can also indicate in the option agreement the minimum extent to which they might exercise their discretion to allow unvested options to be exercisable on a sale, listing or asset sale.

7.3.8 Employees leaving the Company: The options lapse for whatever reason the employee leaves the Company.

²⁰ On the assumption that the release and grant of the new options will have taken place before Admission

- 7.3.9 Variation of share capital: The Board has a discretion to vary options if there is any variation in the share capital by way of capitalisation or rights issue including sub-division, consolidation, reduction of capital or demerger or payment of a capital dividend.
- 7.3.10 Alteration: The rules or option agreement may be amended by the Board but must not adversely affect subsisting options unless the option holder consents.
- 7.3.11 Termination: No options can be granted after the 10th anniversary of the date of adoption of the Existing EMI Scheme. The Board can decide to terminate the Existing EMI Scheme at any time before then and any termination does not affect subsisting options. The Board has decided that no further options will be granted under the Existing EMI Scheme following Admission.

7.4 **Existing Unapproved Scheme**

- 7.4.1 Eligibility: Employees and directors are eligible to be granted unapproved options.
- 7.4.2 Grants of options: Grants may be made at the discretion of the Board.
- 7.4.3 Performance criteria: Options may be granted subject to objective performance targets. The Board has the discretion to vary, waive or adjust performance targets but cannot make them more difficult to satisfy.
- 7.4.4 Exercise price: The exercise price is determined by the Board in its discretion, but may not be less than the nominal value.
- 7.4.5 Individual limits: There are no individual limits in the rules
- 7.4.6 Total number of shares available: There are no overall company limits in the rules.
- 7.4.7 Exercise of options: Normally, options cannot be exercised until there is a sale, listing or asset sale relating to the Company. The options to the extent vested are then exercisable. To the extent that options are not exercised on such an event the options will lapse. The Board has a discretion to allow options to be exercised at any time whether or not they are vested. The Board can also indicate in the option agreement the minimum extent to which they might exercise their discretion to allow unvested options to be exercisable on a sale, listing or asset sale.
- 7.4.8 Employees leaving the Company: The options lapse for whatever reason the employee leaves the Company.
- 7.4.9 Variation of share capital: The Board has a discretion to vary options if there is any variation in the share capital by way of capitalisation or rights issue including sub-division, consolidation, reduction of capital or demerger or payment of a capital dividend.
- 7.4.10 Alteration: The rules or option agreement may be amended by the Board but must not adversely affect subsisting options unless the option holder consents.
- 7.4.11 Termination: No options can be granted after the 10th anniversary of the date of adoption of the Existing Unapproved Scheme. The Board can decide to terminate the Existing Unapproved Scheme at any time before then and any termination does not affect subsisting options. The Board has decided that no further options will be granted under the Existing Unapproved Scheme following Admission.

7.5 The following table sets out: the number of Ordinary Shares under option as at the date of this document:

<i>Existing Share Option Schemes</i>	<i>Number of Ordinary Shares under option</i>	<i>Expiration period from date of grant</i>	<i>Exercise price</i>	<i>Vesting Period</i>
Existing EMI Scheme	1,723,136	10 years	£0.16625	Most of the options are subject to performance conditions rather than time vesting
Existing Unapproved Scheme	289,488	10 years	£0.16625	Most of the options are subject to performance conditions rather than time vesting

- 7.6 It is anticipated that all of the Existing EMI Options and Existing Unapproved Options will have been waived or exercised immediately prior to Admission. Therefore, as at Admission there will be no Existing EMI Options or Existing Unapproved Options.
- 7.7 Details of the number of Ordinary Shares under option as at the date of Admission are contained in paragraph 8.4 of this Part VI.

8. New Option Schemes

- 8.1 The Board has adopted two new option schemes (together referred to as the “New Share Option Schemes”), the Eagle Eye Solutions Group PLC 2014 Unapproved Share Option Scheme (“the New Unapproved Scheme”) and the Eagle Eye Solutions Group PLC 2014 EMI Share Option Scheme (“New EMI Scheme”), for use after Admission.

8.2 *New EMI Scheme*

- 8.2.1 Eligibility: Employees are eligible to be granted EMI options if they satisfy certain qualifying requirements in the EMI legislation including working time.
- 8.2.2 Grants of options: Grants may be made at the discretion of the Board.
- 8.2.3 Performance criteria: Options may be granted subject to objective performance targets. The Board has the discretion to vary, waive or adjust performance targets but cannot make them more difficult to satisfy.
- 8.2.4 Exercise price: The exercise price is determined by the Board in its discretion, but may not be less than the nominal value.
- 8.2.5 Individual limits: There are no individual limits in the rules but EMI options will only attract tax favoured treatment if the options are granted over shares with a market value at grant of no more than £250,000.
- 8.2.6 Total number of shares available: There is an overall dilution limit of 10 per cent. of the issued share capital of the Company in relation to options granted under the New Share Option Schemes in a rolling ten year period, and there is an overall EMI limit for the Company of £3 million (determined by the market value at grant of the options).
- 8.2.7 Exercise of options: Options are exercisable as they vest. If there is a sale or asset sale relating to the Company, there is acceleration of all of the unvested options. To the extent that options are not exercised on such an event the options will lapse. The Board has a discretion to allow options to be exercised at any time whether or not they are vested.
- 8.2.8 Employees leaving the Company: If the employee is a good leaver (leaving employment by reason of injury, disability, redundancy or where the Directors use their discretion), the vested options are exercisable within 90 days of leaving and the unvested options are only exercisable if the Board uses a discretion to allow exercise, otherwise they lapse. If the employee dies the vested options are exercisable by personal representatives within 12 months of the date of death and the unvested options lapse. If the employee leaves for any other reason the vested and unvested options lapse.
- 8.2.9 Variation of share capital: The Board has a discretion to vary options if there is any variation in the share capital by way of capitalisation or rights issue including subdivision, consolidation, reduction of capital or demerger or payment of a capital dividend.
- 8.2.10 Alteration: The rules or option agreement may be amended by the Board but must not adversely affect subsisting options unless the option holder consents.
- 8.2.11 Termination: No options can be granted after the 10th anniversary of the date of adoption of the New EMI Scheme. The Board can decide to terminate the New EMI Scheme at any time before then and any termination does not affect subsisting options

8.3 ***New Unapproved Scheme***

- 8.3.1 Eligibility: Employees and directors are eligible to be granted unapproved options.
- 8.3.2 Grants of options: Grants may be made at the discretion of the Board.
- 8.3.3 Performance criteria: Options may be granted subject to objective performance targets. The Board has the discretion to vary, waive or adjust performance targets but cannot make them more difficult to satisfy.
- 8.3.4 Exercise price: The exercise price is determined by the Board in its discretion, but may not be less than the nominal value.
- 8.3.5 Individual limits: There are no individual limits in the rules
- 8.3.6 Total number of shares available: There is an overall dilution limit of 10 per cent. of the issued share capital of the Company in relation to options granted under the New Share Option Schemes in a rolling ten year period.
- 8.3.7 Exercise of options: Options are exercisable as they vest. If there is a sale or asset sale relating to the Company, there is acceleration of all of the unvested options. To the extent that options are not exercised on such an event the options will lapse. The Board has a discretion to allow options to be exercised at any time whether or not they are vested.
- 8.3.8 Employees leaving the Company: If the employee is a good leaver (leaving employment by reason of injury, disability, redundancy or where the Directors use their discretion), the vested options are exercisable within 90 days of leaving and the unvested options are only exercisable if the Board uses a discretion to allow exercise, otherwise they lapse. If the employee dies the vested options are exercisable by personal representatives within 12 months of the date of death and the unvested options lapse. If the employee leaves for any other reason the vested and unvested options lapse.
- 8.3.9 Variation of share capital: The Board has a discretion to vary options if there is any variation in the share capital by way of capitalisation or rights issue including subdivision, consolidation, reduction of capital or demerger or payment of a capital dividend.
- 8.3.10 Alteration: The rules or option agreement may be amended by the Board but must not adversely affect subsisting options unless the option holder consents.
- 8.3.11 Termination: No options can be granted after the 10th anniversary of the date of adoption of the New Unapproved Scheme. The Board can decide to terminate the New Unapproved Scheme at any time before then and any termination does not affect subsisting options

- 8.4 The following table sets out the number of Ordinary Shares under option as at the date of Admission:

<i>New Share Option Schemes</i>	<i>Number of Ordinary Shares under option</i>	<i>Expiration period from date of grant</i>	<i>Exercise price</i>	<i>Vesting period</i>
New EMI Scheme	1,169,909	10 years	£0.5125	Performance condition related to turnover over three months
New Unapproved Scheme	139,218	10 years	£0.5125	Performance condition related to turnover over three months

9. Directors' and Proposed Directors' interests

- 9.1 The interests (all of which are beneficial unless otherwise stated) of the Directors and the Proposed Directors, their immediate family members and persons connected with them in the share capital of the Company, together with any options in respect of such capital, the existence of which is known to or could with reasonable diligence be ascertained by that Director or Proposed Director, whether or not held through another party, as at the date of this document, and as they are expected to be immediately following the Placing and Admission, are as follows:

<i>Director / Proposed Director</i>	<i>At the date of this document</i>			<i>Immediately following the Placing and Admission</i>		
	<i>Number of Ordinary Shares held</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of shares under option in Eagle Eye Solutions Limited</i>	<i>Number of Ordinary Shares held</i>	<i>Percentage of Enlarged Share Capital</i>	<i>Number of Ordinary Shares under option in Eagle Eye Solutions Group PLC</i>
Phill Blundell	32,640	0.23	452,624	310,976	1.54	226,574
Bill Currie	1,779,968	12.58	—	1,917,163	9.52	—
Sir Terry Leahy	1,224,592	8.65	—	1,377,030	6.84	—
Steve Rothwell	1,406,128	9.94	975,200	1,711,672	8.50	574,000
Drew Thomson	—	—	—	—	—	—
Malcolm Wall	—	—	—	30,487	0.15	—

- 9.2 Save as disclosed in this Part VI, none of the Directors or Proposed Directors nor any person connected with a Director or Proposed Director within the meaning of section 252 of the Companies Act has any interest whether beneficial or non-beneficial in any share capital of the Company.
- 9.3 Other than in relation to the Group, the Directors and the Proposed Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships:

<i>Name</i>	<i>Current directorships/partnership</i>	<i>Previous Directorship/partnership</i>
Phill Blundell	Padstone Technology Limited	Active Business Services Limited CNH Subsidiary Ltd DMR Connect Limited Intelligent Environments Europe Limited Intelligent Environments Limited Parseq (Hellaby) Limited Parseq Limited Parseq Managed Services Limited Parseq Services Limited
Bill Currie	Belvedere Energy Belvedere Energy Investments Limited Belvedere Energy Investments Portfolio 2 Limited The Belvedere Preparatory School LLP Belvedere Schools Ltd Infusion 2002 Limited Metapack Limited Woolton Capital Management Limited Woolton Capital Partners Limited	Coffeeheaven International Limited William Currie Group Limited William Currie Investments Limited

<i>Name</i>	<i>Current directorships/partnership</i>	<i>Previous Directorship/partnership</i>
Sir Terry Leahy	Anatwine Limited Asian Shopping Centres Limited Black Circles Holdings Limited CDR Bounty Holdco 1 Limited The Foundation Years Trust Metapack Limited Spinney Consulting Limited	Adminstore Limited Beeythe Estates Limited Comar Limited Country Maret Limited (The) Crazy Prices Cullen's Holdings Limited Cullen's Stores Limited Daily Wrap Produce Limited Europa Foods Limited Food & Wine Lovers Limited Harts The Grocer (Fulham Road) Limited Harts The Grocer (Gloucester Road) Limited Harts the Grocer (Russell Square) Limited Harts the Grocer (TCR) Limited Harts The Grocer Limited Kingsway Fresh Foods Limited Kiwilight Limited La Boucherie Limited Liverpool Vision Limited London and Home Counties Superstores Limited One Stop Stores Limited Salecastle Limited Speedhalt Limited Spen Hill Properties Limited Stewarts Supermarkets Limited T&S Stores Limited Tesco plc Tesco Atrato (GP) Limited Tesco Barbers Wood Limited Tesco Blue (GP) Limited Tesco Capital No. 2 Limited Tesco Fuschia (GP) Limited Tesco Grey (GP) Limited Tesco Holdings Limited Tesco Indigo (GP) Limited Tesco Passaic (GP) Limited Tesco Passaic PL Propco Limited Tesco Pink (GP) Limited Tesco Property Finance 1 Holdco Limited Tesco Property Holdings Limited
Steve Rothwell	Eagle Eye Holdings Limited Eagle Eye Software Limited Eagle Eye Technology Limited EET Limited	Croft Nurseries (Elstead) Residents Association Limited Your Third Place Experience Limited
Malcolm Wall	Abu Dhabi Media Zone Authority dock10 Image Nation Limited Malcolm Wall Media Limited Song Lin Ltd	Abu Dhabi Media Creston plc Harlequin FC Ltd Ingenious Film Partners 2 LLP ITE Group plc Redshift Strategy Consulting Ltd Schoolchildren for Children Virgin Media LLC

<i>Name</i>	<i>Current directorships/partnership</i>	<i>Previous Directorship/partnership</i>
Drew Thomson	Bsolt Limited Draper Thomson Limited Starcount Insights Limited Time & Tide Limited	Betternest Limited Concise Consultants Limited Independent Insight Limited Iris Concise Limited Iris Culture Limited Iris Digital Limited Iris London Limited Iris Manchester Limited Iris Nation Worldwide Limited Iris PR Limited Iris Products (Worldwide) Limited Iris Promotional Marketing Limited Iris Sponsorship Limited Iris Ventures (Worldwide) Limited

9.4 No Director or Proposed Director has:

- 9.4.1 any unspent convictions in relation to indictable offences;
 - 9.4.2 had any bankruptcy order made against him or entered into any individual voluntary arrangements;
 - 9.4.3 been a director of a company which has been placed into receivership, compulsory liquidation or creditors' voluntary liquidation, or administration, or which has entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, nor have they been a director of any company within the 12 months preceding such events;
 - 9.4.4 been a partner of any partnership which has been put into compulsory liquidation or administration or entered into partnership voluntary arrangements, nor have they been a partner within the 12 months preceding such events;
 - 9.4.5 had a receivership of any asset of such director or of a partnership where he was a partner at the time of or within the 12 months preceding such events;
 - 9.4.6 been publicly criticised by statutory or regulatory authorities (including recognised professional bodies), nor has any Director or Proposed Director ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 9.5 There are no outstanding loans granted by the Company to any of the Directors or Proposed Directors or granted by any Director or Proposed Director to the Company nor has any guarantee been provided by the Company for their benefit.
- 9.6 Save as disclosed in this document, there are no actual or potential conflicts of interest between the duties of the Directors or Proposed Directors to the Company and their respective private interests or other duties.
- 9.7 The business address of each of the Directors and the Proposed Directors is 3000 Cathedral Hill, Guildford, Surrey, GU2 7YB.

10. Directors' terms of appointment

- 10.1 Set out below are summary details of the Company's terms of appointment with the executive Directors:

- 10.1.1 Steve Rothwell (Chief Executive Officer) has served on the Board as a Director since 12 February 2014.

Mr Rothwell entered into a service agreement with Eagle Eye Solutions Limited dated 12 November 2012, which has been amended by a deed of amendment dated 10 April 2014. Mr Rothwell is entitled to receive an annual salary of £150,000 plus a contractual bonus of up to 50 per cent. his basic salary, subject to him meeting performance targets determined by the Board. Mr Rothwell's appointment is ongoing and is terminable at any time on six months' notice by either party. Mr Rothwell's appointment may be terminated summarily by the Company if he is, among other things, guilty of gross misconduct. The service agreement does not provide for any extra payment to be given to Mr Rothwell upon termination of his appointment; and

- 10.1.2 Phill Blundell (Commercial and Finance Director) has served on the Board as a Director and Company Secretary since 12 February 2014.

Mr Blundell entered into a service agreement with Eagle Eye Solutions Limited dated 19 November 2012, which has been amended by a deed of amendment dated 10 April 2014. Mr Blundell receives an annual salary of £180,000 and plus a contractual bonus of up to 50 per cent. of his basic salary, subject to him meeting performance targets determined by the Board. Mr Blundell's appointment is ongoing and is terminable at any time on six months' notice by either party. Mr Blundell's appointment may be terminated summarily by the Company if he is, among other things, guilty of gross misconduct. The service agreement does not provide for any extra payment to be given to Mr Blundell upon termination of his appointment.

- 10.2 Set out below are summary details of the Company's terms of appointment with the non-executive Directors and the Proposed non-executive Directors:

10.2.1 Bill Currie (*Non-executive Chairman*) has entered into the terms of an appointment letter as non-executive director dated 10 April 2014. Mr Currie's appointment is for an initial period of 12 months. The annual fee payable to Mr Currie will be £5,000. The notice period for either party to terminate the agreement is three months.

10.2.2 Sir Terry Leahy (*Non-executive Director*) has entered into the terms of an appointment letter as non-executive director dated 10 April 2014. Sir Terry's appointment is for an initial period of 12 months. The annual fee payable to Sir Terry will be £5,000. The notice period for either party to terminate the agreement is three months.

10.2.3 Drew Thomson (*Proposed Non-executive Director*) has been appointed to the Board conditional on Admission pursuant to the terms of an appointment letter as non-executive director dated 10 April 2014. Mr Thomson's appointment is for an initial period of 12 months. The annual fee payable to Mr Thomson will be £35,000. The notice period for either party to terminate the agreement is 3 months.

10.2.4 Malcolm Wall (*Proposed Non-executive Director*) has been appointed to the Board conditional on Admission pursuant to the terms of an appointment letter as non-executive director dated 10 April 2014. Mr Wall's appointment is for an initial period of 12 months. The annual fee payable to Mr Wall will be £35,000. The notice period for either party to terminate the agreement is three months.

- 10.3 No amount has been set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors or the Proposed Directors.

11. The Placing Agreement

Pursuant to the Placing Agreement, Panmure Gordon, as agent for the Company and the Selling Shareholders, has agreed, conditional upon, among other things, Admission taking place on or before 8.00 a.m. on 16 April 2014 (or such later time and/or date as the Company and Panmure Gordon may agree, not being later than 8.00 a.m. on 31 May 2014), to use its reasonable endeavours to procure subscribers for the Placing Shares proposed to be issued by the Company, and purchasers for the Sale Shares, at the Placing Price.

Panmure Gordon's obligation to procure subscribers for Placing Shares and purchasers for Sale Shares in the circumstances described above is conditional on, amongst other things the delivery by the Company to Panmure Gordon of a certificate confirming that the relevant conditions (other than Admission having occurred) have been satisfied and that so far as the Company is aware, the warranties in the Placing Agreement remain true, accurate and not misleading by reference to the circumstances subsisting prior to Admission.

The Placing Agreement contains warranties from the Company and the Directors as to, amongst other things, certain matters relating to the Enlarged Group, the Company or its business (where relevant), and indemnities from the Company in favour of Panmure Gordon as to certain liabilities Panmure Gordon may incur in respect of the Placing. In addition, the Company has given certain undertakings to Panmure Gordon in relation to the period prior to and following Admission.

Panmure Gordon has the right to terminate the Placing Agreement in certain circumstances before Admission, including, amongst other things:

- where any warranties are found to be untrue, inaccurate or misleading in any material respect;
- in the event of certain force majeure events or other events involving certain material adverse changes relating to the Company; and
- in the event that the parties to the Acquisition Agreement have not complied with their obligations under the Acquisition Agreement, any warranties or representations given by either party under the Acquisition Agreement are found to be untrue, inaccurate or misleading or any right has arisen for either party to terminate the Acquisition Agreement.

Under the Placing Agreement the Company has agreed to pay to Panmure Gordon a success fee of £480,000, conditional on Admission.

12. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group (i) in the two years preceding the date of this document and which are or may be material or (ii) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

12.1 the Acquisition Agreement;

12.2 the Placing Agreement, details of which are set out in paragraph 11 above;

12.3 an engagement letter dated 10 December 2013 between Panmure Gordon (1) and Eagle Eye Solutions Limited (2) pursuant to which Eagle Eye Solutions Limited has appointed Panmure Gordon to act as financial adviser, nominated adviser and broker to Eagle Eye Solutions Limited for the purposes of the Acquisition and Admission in accordance with the AIM Rules. Under the terms of the engagement letter, Eagle Eye Solutions Limited has agreed to pay to Panmure Gordon: (i) a success fee of £480,000 payable on Admission; and (ii) in the event that Excess Shares are issued, a combined management and selling commission of five per cent. of the gross value of the Excess Shares. The engagement letter contains certain undertakings and indemnities given by Eagle Eye Solutions Limited in respect of, among other things, compliance with all applicable laws and regulations. The engagement continues until terminated by either party giving the other seven days' written notice;

12.4 a nominated adviser and broker agreement dated 10 April 2014 between (1) Panmure Gordon and (2) the Company pursuant to which Panmure Gordon has agreed to act as the Company's nominated adviser and broker from Admission for the purpose of the AIM Rules.

Under the terms of the agreement, Panmure Gordon shall provide, amongst other things:

- advice to the Company and the Directors in relation to matters concerning the London Stock Exchange and AIM Rules; and
- advice to the Company and the Directors on other matters relevant to a company whose shares are admitted to trading on AIM.

The agreement provides that Panmure Gordon shall be paid an annual fee of £60,000, increasing on 1 January each year by the latest published annual percentage increase in the level of the Retail Price Index for the preceding 12 months. The Company shall also pay any out-of-pocket expenses reasonably incurred by Panmure Gordon in connection with the performance of its services under the agreement.

The appointment of Panmure Gordon as nominated adviser and broker under the nominated adviser and broker agreement shall automatically be renewed annually unless and until terminated by either the Company or Panmure Gordon giving to the other not less than seven days' written notice. Panmure Gordon may terminate the agreement immediately in certain circumstances including if the Company is in breach of the terms of the agreement.

The nominated adviser and broker agreement also contains a customary indemnity in relation to the provision by Panmure Gordon of its services under the agreement and customary undertakings given by the Company.

- 12.5 pursuant to Lock-in Agreements dated 10 April 2014, the Directors and, where applicable, their spouses have undertaken to Panmure Gordon and the Company that neither they nor their related persons shall (without the prior written consent of Panmure Gordon) dispose of, or enter into an agreement to dispose of, any Ordinary Shares or interests in Ordinary Shares held at Admission for, in the case of each Director, 12 months following Admission (the "Lock-In Period"). In addition, they have agreed that for a period of a further 12 months after the expiry of the Lock-In Periods in each case and whilst Panmure Gordon is a broker to the Company, not to dispose of any Ordinary Shares or interests in Ordinary Shares other than through Panmure Gordon, with a view to maintaining an orderly market in the Company's securities;
- 12.6 pursuant to Lock-in Agreements dated 10 April 2014, certain Shareholders of the Company have undertaken to Panmure Gordon and the Company that they shall not (without the prior written consent of Panmure Gordon) dispose of, or enter into an agreement to dispose of, any Ordinary Shares or interests in Ordinary Shares held at Admission for six months following Admission (the "Shareholder Lock-in Period").
- In addition, the same shareholders have agreed that for a further six month period following the expiry of the Shareholder Lock-in Period, whilst Panmure Gordon is a broker to the Company, not to dispose of any Ordinary Shares or interests in Ordinary Shares other than through Panmure Gordon, with a view to maintaining an orderly market in the Company's securities;
- 12.7 pursuant to an orderly marketing agreement dated 10 April 2014, 2ergo Group PLC has undertaken to Panmure Gordon and the Company that for a period of 12 months following Admission, whilst Panmure Gordon is a broker to the Company, not to dispose of any Ordinary Shares or interests in Ordinary Shares other than through Panmure Gordon, with a view to maintaining an orderly market in the Company's securities;
- 12.8 a share exchange agreement dated 18 March 2014 between the Company (1) and the holders of shares in Eagle Eye Solutions Limited (the "Sellers") (2), pursuant to which each of the Sellers agreed to sell their shares in Eagle Eye Solutions Limited in exchange for the issue to them of, in aggregate, 13,641,384 Ordinary Shares;
- 12.9 an assignment of intellectual property rights dated 21 March 2014 made between (1) 2ergo Group PLC and (2) 2ergo pursuant to which 2ergo Group PLC (the "Assignor") assigned to 2ergo certain trademarks which were registered to the Assignor but that were used by 2ergo in its day to day business. The trademarks assigned under the agreement are now owned by 2ergo;
- 12.10 a business transfer agreement and associated assignment of intellectual property rights dated 21 March 2014 made between (1) 2ergo Group PLC and (2) 2ergo pursuant to which 2ergo transferred the business and assets associated with certain intellectual property rights, and those intellectual property rights themselves, to 2ergo Group PLC. The intellectual property that was transferred to 2ergo Group PLC under this agreement did not form part of the Acquisition and consequently is no longer held by 2ergo; and
- 12.11 pursuant to an agreement dated 7 April 2014 between (1) Sir Terry Leahy and (2) the Company, Sir Terry has undertaken to the Company that he will not dispose of any of the Ordinary Shares issued to him on 27 March 2014 for a period of 3 years from that date, and that after this period he will only dispose of such shares at a price per share that would reflect a market capitalisation of the Company of more than £50 million.

13. Related party transactions

- 13.1 Save as set out in note 20 to the historical financial information on the Group in Section B of Part III of this document or in paragraph 13.2 below, as far as the Directors are aware, there have been and are currently no agreements or other arrangements between the Enlarged Group and individuals or entities that may be deemed to be related parties, for the period of five years prior to the date of this document.
- 13.2 Under an agreement dated 22nd April 2010 made between Eagle Eye Solutions Limited (“EES”) and Eagle Eye Technology Limited (“EET”) as supplemented by an agreement dated 10 April 2014, EET has agreed to provide software development services to EES. EET is owned as to 50 per cent. by Steve Rothwell. The agreement may be terminated by either party on one months’ notice, or immediately for cause. The parties have agreed that in the event that the amounts invoiced by EET under the agreement exceed £150,000 in any financial year of the Group, the Company may seek to continue the contract conditional upon the Company obtaining advice from its nominated adviser that the arrangement is fair and reasonable as far as the Company’s shareholders are concerned.

14. Third party information

- 14.1 Baker Tilly Corporate Finance LLP has given and not withdrawn its written consent to the inclusion in this document of its report set out in section A of Part III of this Document in the form and context in which it appears.
- 14.2 Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion in this document of its report set out in section A of Part IV of this Document in the form and context in which it appears.
- 14.3 Panmure Gordon has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and in the context in which they appear.
- 14.4 The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group’s position therein, are based upon the Group’s records or are taken or derived from third party sources as described in the footnotes to such information. In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts having been omitted which would render such information inaccurate or misleading.

15. Employees

- 15.1 The Group currently employs 25 members of staff; the Enlarged Group currently employs 49 members of staff.
- 15.2 Following Admission all employees of the Group will be eligible to participate in the New Share Option Scheme.

16. Information on holdings

The Enlarged Group does not hold a proportion of capital in any undertakings outside of the Enlarged Group which are likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

17. Patents and licences

Save as disclosed in this document, the Enlarged Group is not dependent on patents or licences or any particular industrial or new manufacturing processes which are material to the Enlarged Group’s business or profitability.

18. Property, plant and equipment

Save as disclosed in this document, the Enlarged Group is not aware of any material environmental issues or risks affecting the utilisation of the Enlarged Group's tangible fixed assets or its operations.

19. Placing Shares and Sale Shares

- 19.1 The Placing Shares and Sale Shares are being offered or sold pursuant to the Placing at the Placing Price. The ISIN (International Security Identification Number) for the Ordinary Shares is GB00BKF1YD83. The Existing Ordinary Shares are, and the Placing Shares will be, subject to English law and, in particular, the Companies Act. The Placing Shares will be issued by the Company and the Sale Shares will be sold by the Selling Shareholders for cash at the Placing Price and credited as fully paid. The Placing Price for all Placing Shares and Sale Shares is in pounds sterling.
- 19.2 The Placing Shares are to be issued and the Sale Shares are to be sold in registered form and will be issued or sold in either certificated or uncertificated form to those subscribers or purchasers who have CREST accounts. CREST accounts will be credited on Admission. Definitive share certificates are expected to be dispatched by 23 April 2014.
- 19.3 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Company has applied for all the Ordinary Shares to be admitted to CREST with effect from Admission and CREST has agreed to such arrangements. Accordingly, settlements of Ordinary Shares following Admission may take place within the CREST system if individual shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.
- 19.4 The holders of the Placing Shares or Sale Shares will participate proportionately to such shareholdings in all distributions of capital or income by the Company or any surplus arising on liquidation of the Company. There are no fixed dates for dividend payments on the Ordinary Shares. Each Ordinary Share affords the holder of such share the right to one vote. There are no restrictions on the transferability of the Ordinary Shares.
- 19.5 The Placing Shares will be issued and the Sale Shares will be sold on Admission which is expected to occur on 16 April 2014.

20. Takeover bids and rights to acquire shares held by minority shareholders

- 20.1 The Company will be subject to the provisions of the Takeover Code, including the rules regarding mandatory takeover bids. Under Rule 9 of the Takeover Code, when:
 - 20.1.1 a person acquires interests in shares which, when taken together with interests in shares already held by him or persons acting in concert with him (as defined in the Takeover Code), carry 30 per cent. or more of the voting rights of the Company; or
 - 20.1.2 a person who, together with persons acting in concert with him, is interested in shares equal to not less than 30 per cent. of the voting rights of the Company (but does not hold interests in shares carrying more than 50 per cent. of such voting rights), and such person, or any person acting in concert with him, acquires additional interests in shares which increase the percentage of shares carrying voting rights in which he is interested,then that person is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him for shares in the Company within the preceding 12 months, for all the remaining equity share capital (and any other class of transferable securities carrying voting rights) in the Company.
- 20.2 If a "takeover offer" (as defined in section 974 of the Companies Act) is made and the offeror, by virtue of acceptances of such offer, acquires or contracts to acquire not less than nine tenths in value of the Ordinary Shares to which the takeover offer relates, then the offeror has the right to acquire compulsorily the remaining Ordinary Shares of the minority Shareholders for the offer price within a fixed period. In certain circumstances, the minority Shareholders also have the right to require the offeror to buy their Ordinary Shares at the offer price within a fixed period.

- 20.3 No takeover offers have been made in respect of the Group either in the last financial year (being the year ended 31 December 2013) or the current financial year of the Group.

21. Expenses of the Placing

- 21.1 The net proceeds of the Placing to be received by the Company are expected to amount to £4.9 million.
- 21.2 The total expenses of the Placing are estimated to be £1.1 million.

22. Dilution

- 22.1 Assuming the Placing is fully subscribed, the Placing Shares will account for 18.2 per cent. of the Enlarged Share Capital.
- 22.2 Holders of Existing Ordinary Shares will be diluted by the subscription for the 3,658,536 Placing Shares and the issue of 1,219,512 Consideration Shares, which will represent a 24.2 per cent. immediate dilution of the holders of the Existing Ordinary Shares.

23. Legal and arbitration proceedings

Save as described in this document, there have been no governmental, legal or arbitration proceedings during the 12 month period prior to the date of this document, and so far as the Company is aware there are no governmental, legal or arbitration proceedings pending or threatened which have had in the recent past, or may have, significant effects on the Company and/or the Enlarged Group's financial position or profitability.

24. Significant change

- 24.1 There has been no significant change in the financial or trading position of the Company since 12 February 2014, its date of incorporation. There has been no significant change in the financial or trading position of Eagle Eye Solutions Limited since 31 December 2013, being the date to which the financial information in Section B of Part III has been drawn up.
- 24.2 Save as disclosed at paragraph 9 of Part I of this document, there has been no significant change in the financial or trading position of 2ergo Limited since 31 August 2013, being the date to which the financial information in Section B of Part IV has been drawn up.

25. Working capital

The Directors and Proposed Directors are of the opinion, having made due and careful enquiry, that the Enlarged Group will have sufficient working capital for its present requirements, that is, for at least the period of 12 months from the date of Admission.

26. Taxation

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC practice as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK (except in so far as express reference is made to the treatments of non-UK residents) who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled shareholders should consult their own tax advisers.

The position of Shareholders who are officers or employees of the Company is not considered in this section; such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non-domiciled individuals claiming the remittance basis of taxation is not considered in this section.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. Any shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

26.1 *Taxation of chargeable gains*

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation on chargeable gains, unless such holders are not residents in the UK.

Individuals

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual's income and gains are less than the upper limit of the income tax basic rate band. To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount will be charged at a flat rate of 28 per cent.

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains and may also be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

Companies

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

26.2 *Taxation of dividends*

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

Individuals

Shareholders (other than a company) receiving a dividend from the Company also receive a notional tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent. tax credit).

Individual Shareholders whose income is within the basic rate tax band will be subject to dividend income tax at the rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax will be subject to dividend income tax at 32.5 per cent. After allowing for the 10 per cent. notional tax credit, a higher rate taxpayer suffers an effective rate of 25 per cent. on the net dividend received.

Individual Shareholders who are subject to the additional rate of income tax will be subject to dividend income tax at 37.5 per cent. After allowing for the 10 per cent. notional tax credit, an additional rate taxpayer suffers an effective rate of 30.56 per cent. on the net dividend received.

Dividends payable to trustees and personal representatives of deceased persons will be subject to dividend income tax at 37.5 per cent.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or any part of it).

Companies

Shareholders within the charge to UK corporation tax will not generally expect to be subject to tax on dividends from the Company.

26.3 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

HMRC has announced that stamp duty and SDRT will not apply to trades made on a recognised growth market, such as AIM, from 28 April 2014. Until that point, the following applies.

No stamp duty or SDRT will be levied on the issue of Ordinary Shares.

A sale of shares will generally be subject to ad valorem stamp duty at the rate of 0.5 per cent. rounded up to the nearest multiple of £5 on the amount or value of the consideration paid by the purchaser. If an unconditional agreement for the transfer of such Ordinary Shares is not completed by a duly stamped transfer to the transferee by the seventh day of the month following the month in which the agreement becomes unconditional, SDRT will be payable on the agreement at the rate of 0.5 per cent. of the amount or value of consideration paid. Liability to SDRT is generally that of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the SDRT.

When Ordinary Shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or SDRT will generally be payable.

When Ordinary Shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee) no stamp duty or SDRT will generally be payable.

Where a change in beneficial ownership of Ordinary Shares held in uncertificated form occurs and such change is for consideration in money or money's worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

26.4 Inheritance Tax

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("IHT") on the value of any Ordinary Shares held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief ("BPR") may apply to Ordinary Shares in trading companies once these have been held for two years. This relief applies notwithstanding that the Company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

26.5 VCTs

The Company has applied for and obtained provisional confirmation from HMRC that the Placing Shares will be eligible shares for the purposes of the investment by VCTs. The status of the Placing Shares as a qualifying holding for VCTs will be conditional, *inter alia*, upon the Company continuing to satisfy the relevant requirements.

It is the Directors' intention that the Company will continue to meet the Venture Capital Scheme provisions so that it continues to be a qualifying company for these purposes. However, the Directors cannot give any warranty or undertaking that the Company will continue to meet the conditions, including in the event that the Directors believe that the interests of the Company are not best served by preserving the VCT qualifying status, or as a result of changes in legislation.

26.6 EIS

The Company has applied for and obtained provisional assurance from HMRC that the subscription in the Placing Shares will be eligible for EIS purposes, subject to the submission of the relevant claim form in due course. The obtaining of such provisional assurance and submission of such a claim by the Company does not guarantee EIS qualification for an individual, whose claim for relief will be conditional upon his or her own circumstances and is subject to holding the shares throughout the relevant three year period.

In addition, for EIS relief not to be withdrawn, the Company must comply with a number of conditions throughout the qualifying period relating to those shares.

The following provides an outline of the EIS tax reliefs available to individuals and trustee investors. Any potential investor should obtain independent advice from a professional advisor in relation to their own particular set of personal circumstances.

In summary, EIS relief may be available where a qualifying company issues new shares, the purpose of which is to raise money for a qualifying business activity. The EIS shares must be subscribed for in cash and be fully paid up at the date of issue and must be held, broadly, for three years after they were issued.

EIS income tax relief is available to individuals only – the current relief is 30 per cent. of the amount subscribed for EIS shares to be set against the individual's income tax liability for the tax year in which the EIS investment is made, and is available up to a maximum of £1,000,000 in EIS subscriptions per tax year. This relief can be 'carried back' one tax year. This relief is only available to individuals who are not connected with the Company in the period of two years prior to and three years after the subscription.

Very broadly, an individual is connected with the issuing company if, *inter alia*, he or his associates are employees or directors or have an interest in more than 30 per cent. of the Company's ordinary share capital.

Where EIS income tax relief has been given and has not been withdrawn, any gain on the subsequent disposal of the shares in qualifying circumstances is generally free from capital gains tax. If the shares are disposed of at a loss, capital gains tax relief will generally be available for that loss net of any income tax relief previously given. Alternatively, an election can be made to set that loss (less any income tax relief already given) against income of that year.

Individuals and trustees who have realised gains on other assets within one year before or up to three years after the EIS shares are issued, are able to defer a capital gains tax liability arising on those gains by making a claim to reinvest an amount of those gains against the cost of the EIS share subscription. Deferred gains will become chargeable on a disposal or deemed disposal of the EIS shares. The investor can be connected with the Company (as outlined above) and obtain such capital gains tax deferral relief.

The Company will not employ any funds raised from EIS Placees or VCT Placees for the purposes of funding the cash consideration of the Acquisition.

26.7 Summary

The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his or her tax position and/or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

27. Statutory auditors

The Group's auditors are Baker Tilly UK Audit LLP of 25 Farringdon Street, London EC4A 4AB, who is a member firm of the Institute of Chartered Accountants in England and Wales. Baker Tilly UK Audit LLP of 25 Farringdon Street, London EC4A 4AB were auditors of Eagle Eye Solutions Limited for the three and a half years ended 31 December 2013.

28. Miscellaneous

- 28.1 Except as disclosed in this document, there are no exceptional factors which have influenced the Enlarged Group activities in any material respect.
- 28.2 The Directors are not aware of any significant recent trends in production, sales and inventory and costs and selling prices. There are no known uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for the current financial year.
- 28.3 Nothing in this document is intended to be or should be taken as a profit forecast, estimate or projection.
- 28.4 The Enlarged Group does not have, nor has it taken any action to acquire, any significant investments.
- 28.5 The financial information set out in Part III of this document relating to Eagle Eye Solutions Limited does not constitute statutory accounts within the meaning of section 434 of the Companies Act. Statutory accounts for Eagle Eye Solutions Limited have been delivered to the Registrar of Companies for each of the years ended 30 June 2011, 30 June 2012 and 30 June 2013.
- 28.6 Except as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - 28.6.1 fees totalling £10,000 or more;
 - 28.6.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - 28.6.3 any other benefit with a value of £10,000 or more at the date of Admission.

29. Documents available for inspection

A copy of this document will be available, free of charge, during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) at the offices of Taylor Wessing LLP, 5 New Street Square, London EC3A 3TW, from the date of this document for a period of one month from the date of Admission.

10 April 2014

