



365 Agile Group plc
(formerly lafyds plc)

Annual Report
for the year ended 31 December 2015

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Company Information

Directors

Clive Carver

(Non-executive Chairman)

Colin Hutchinson

(Non-executive Director)

Anthony Weaver

(Non-executive Director, appointed 31 March 2016)

Jill Collighan

(Executive Director, appointed 21 August 2015)

Jonathan Holyhead

(Executive Director, appointed 21 August 2015, resigned 31 March 2016)

Secretary

Jill Collighan

Company number

4958332

Registered office

100 Fetter Lane
London
EC4A 1BN

Nominated Adviser

finnCap Limited
60 New Broad Street
London
EC2M 1JJ

Bankers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Solicitors

DAC Beachcroft LLP
100 Fetter Lane
London
EC4A 1BN

Auditor

Grant Thornton (UK) LLP
Statutory Auditor
Chartered Accountants
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Chairman's Statement

I am pleased to report the results of 365 Agile Group plc ('365 Agile' or the 'Company' and together with its subsidiaries, the 'Group') for the year ended 31 December 2015.

Background

This has been a year of significant change for the Group. In August 2015, lafyds plc completed the £9.5 million acquisition of 365 Agile Limited and changed its name to 365 Agile Group plc. The acquisition was deemed a reverse takeover under the AIM Rules and, following shareholder approval, the Group re-admitted to AIM on 21 August 2015.

At the time of the acquisition, 365 Agile's business consisted principally of software to provide field based workers access to traditional back office systems on smart phones or tablets. Using the 365 Agile software remote workers can complete field based tasks in real time with secure connections to the office without the need for third party software. Sales activities were at the time targeted exclusively towards the social housing market.

Additionally, through its Wireless Things Limited subsidiary the Group had a start in the Internet of Things space.

Business overview and performance

365 Agile's subsidiary companies have contributed to the Group's performance in the year from their dates of acquisition, as detailed in the financial review section below, with all companies focused on the development, integration and exploitation of the Group's technology.

The initial sales focus has been on the social housing sector and during the year the Group maintained a software product development team with sales and installation in that sector being outsourced on an exclusive basis to Castleton Technology plc ('Castleton').

While we have yet to complete a full year's trading following the acquisition of 365 Agile Limited we quickly concluded that the original business model was open to improvement and took action to rectify the situation.

By the time of our announcement of 4 April 2016 it was clear to the board that a better way to monetise 365 Agile's products in the social housing sector was to have the software developers work more closely with the installers and sales teams. Accordingly, certain of the software development team transferred to our reseller Castleton along with the Group and Castleton entering into a revised licence agreement with a minimum licence fee of £1.8 million being payable to 365 Agile over the coming three years.

These changes have safeguarded the financial position of the Group while preserving its ability to develop outside the social housing sector. It has also created a firm base on which to develop organically or by acquisition an attractive Internet of Things business. The Group has developed a number of opportunities using its technologies and, following the departure of the CEO in April, the Board is assessing which options to pursue in the short term and will report on these in due course.

Following the above management change, Jill Collighan was appointed interim CEO whilst a suitable replacement is sought. Additionally, we have strengthened the board with the appointment of Tony Weaver, as Non-executive Director. Tony is a founder of MXC Capital Limited a specialist merchant bank that invests and grows value in companies in the TMT sector, and which is a substantial shareholder in the Company. Tony is a business leader and investor with proven sales, operations and management expertise. Tony has served on a number of private and publically quoted company boards over the last 28 years.

Chairman's Statement continued

Financial review

Overview

This has been a transformational year for the Company with the acquisition of its trading subsidiaries, effected by a reverse takeover.

The Company was an Investment Company under the AIM rules seeking to make a qualifying investment prior to 21 August 2015 when it acquired 365 Agile Limited and its subsidiary companies for a total consideration of £9.5 million, satisfied by the issue of 12.6 million Ordinary Shares in the Company.

In the consolidated financial statements, the reverse acquisition methodology has been applied as required by IFRS 3. The legal subsidiary (365 Agile Limited) is deemed to be the acquirer and the legal parent (365 Agile Group plc) is deemed to be a subsidiary. The effect of this is that the Group's consolidated accounts show 365 Agile Limited as if it is, and always has been, the parent company of the Group. The comparative numbers have therefore been restated to show the results of 365 Agile Limited for the period from its incorporation in August 2014.

In accordance with the provisions of IFRS 2 a 'deemed consideration' charge is required to be calculated to represent the notional cost 365 Agile would have incurred had it listed on AIM itself as opposed to being acquired by lafyds plc by way of a reverse acquisition. This notional, non-cash, cost is £0.8 million. In addition, the net liabilities of lafyds plc at the point of acquisition were £0.1 million. The combination of these costs result in a non-cash share-based payment of £0.9 million which has been charged to the income statement.

During the period, three other acquisitions were made by the Group:

365 Agile Limited acquired South View Solutions Limited, a specialist supplier of software and solutions to the social housing sector, for a total consideration of £1.1 million on 27 February 2015. The consideration was satisfied by £0.75 million in cash and loan notes of £0.35 million.

On 17 March 2015, 365 Agile Limited acquired Wireless Things Limited, formerly Ciseco Limited for £0.5 million, satisfied by the issue of shares.

Finally, on 23 November 2015, the Company acquired Easytherm Limited for £2.1 million, satisfied by £0.2 million in cash, £1.8 million of shares issued in 365 Agile and £0.1 million of convertible loan notes.

These financial statements reflect the above transactions, with each entity being included in the consolidated accounts as follows:

2014: Financial statements restated to show 365 Agile Limited's results only, from incorporation on 28 August 2014 to 31 December 2014. Trade in 365 Agile Limited commenced in November 2014.

2015: 365 Agile Limited, results included from 1 January 2015;

South View Solutions Limited, results included from 27 February 2015;

Wireless Things Limited, results included from 17 March 2015;

365 Agile Group plc (formerly lafyds plc), results included from 21 August 2015; and

Easytherm Limited, results included from 23 November 2015.

Trading results

Revenue for the year was £1.6 million (2014: £2,000). As a software and technology business gross margin is high at 88%, generating a gross profit of £1.4 million (2014: £2,000).

The adjusted EBITDA* for the period, a profit of £0.1 million (2014 loss of £0.1 million) reflects the normalised trade of the Group in a year of significant change and was generated after incurring administrative expenses relating to trading activities of £1.3 million in the year (2014: £0.1 million).

Further non-trading and exceptional expenses (classified as 'administrative expenses') were incurred in respect of the deemed reverse acquisition costs explained above (£0.9 million), the actual costs in respect of professional fees for the reverse acquisition and the other acquisitions in the year (£0.7 million), integration and restructuring costs (£0.2 million) and the share-based payments charge (£0.1 million). No equivalent costs were incurred in 2014. After accounting for depreciation and amortisation charges resulting from the acquisitions (£0.4 million, 2014: £nil) a loss before taxation of £2.1 million (2014: £0.1 million) was incurred.

The tax credit for the year was £0.1 million (2014: £nil) leading to a loss after tax of £2.0 million (2014: £0.1 million).

Chairman's Statement continued

£0.9 million of cash was utilised in the Group's operating activities (2014: £20,000). £0.8 million (2014: £nil) was paid to acquire subsidiary companies, net of the cash in those subsidiaries on acquisition. A further £0.3 million (2014: £23,000) was incurred in the development of the Group's technology and the purchase of equipment. After costs, £2.7 million (2014: £0.3 million) was generated from financing activities, predominantly an equity raise in August 2015. Cash balances at the end of the year were £0.9 million (2014: £0.2 million).

The Group balance sheet includes an intangible asset of £4.0 million (2014: £nil). This asset, which arises on consolidation, relates to customer lists, software and goodwill resulting from the acquisitions in the year. See note 10 for further details. At the end of the year net assets were £4.5 million (2014: £0.2 million).

*Adjusted EBITDA represents earnings for the year from continuing operations before net finance costs, tax, depreciation, amortisation, exceptional costs and share-based payment charges.

Going concern

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

Outlook

The Board remains confident of the Group's prospects in continuing to develop opportunities around its core software platform and Internet of Things technologies.

Clive Carver

Chairman
5 June 2016

Strategic Report

The directors present their strategic report for the year ended 31 December 2015.

Review of the business

A detailed review of the business is set out in the Chairman's Statement, which is considered to be an integral part of the Strategic Report. Included in this review are comments on the key performance indicators that are used by the Board on a monthly basis to monitor and assess the performance of the business. These indicators include the level of turnover, gross profit, gross profit percentage, adjusted EBITDA* and administrative expenses.

*Total result for the year from continuing operations before net finance costs, tax, depreciation, amortisation, exceptional costs and share-based payment charges.

The Consolidated Statement of Comprehensive Income shows the Group loss for the year was £2.0 million (2014: loss of £0.1 million).

Future developments

Future developments and current trading and prospects are set out in the Chairman's Statement.

Principal risks and uncertainties

Identifying, evaluating and managing the principal risks and uncertainties facing the Group is an integral part of the way we do business. We have policies and procedures in place throughout our operations that enable us to do so, embedded within our management structure and as part of our normal operating processes.

Market and economic conditions

Market and economic conditions are recognised as one of the principal risks in the current trading environment. This risk is mitigated by the monitoring of trading conditions and the constant search for ways to achieve new efficiencies in the businesses without impacting levels of service.

Reliance on key personnel and management

The success of the Group will be dependent on the services of key management and operating personnel. The directors believe that the Group's future success will depend largely on its ability to retain and attract highly skilled and qualified personnel, and to expand, train and manage its employee base. The Group has recently implemented an incentive scheme but there can be no guarantee that suitably skilled and qualified individuals will be retained or identified and employed. If the Group fails to retain or recruit the necessary personnel, or if the Group loses the services of any of its key executives, its business could be materially and adversely affected.

Competition risk

The Group operates in a highly competitive IT product, software and services marketplace and while the directors believe the Group enjoys significant strengths and advantages in competing for business, some of the competitors are much larger, with considerable scale that could allow them to offer similar services for materially lower prices than the Group could match, while maintaining a margin in the range targeted by the management of the Group. Therefore, competitors could materially adversely impact both the scale of the Group's revenues and its profitability.

Technology

The market for 365 Agile's services is in a state of constant innovation and change. The Group actively participates in a number of industry-wide forums, and devotes significant resource to the development of new products and services, ensuring new technologies can be incorporated and integrated with the Group's core services.

Post-acquisition integration risk, and risks of an acquisition strategy

The Group may not be able to fully achieve its strategic objectives and operating efficiencies in an acquisition. Inherent uncertainties exist in integrating the operations of an acquired entity. In addition, the markets and industries in which the Group and its potential acquisition targets operate, are highly competitive. The Group may lose existing customers or the customers of an acquired entity as a result of its acquisition. The Group also may lose key personnel, either from the acquired entity or from itself, as a result of an acquisition. These factors could contribute to the Group not achieving the expected benefits from its acquisitions within desired time frames, if at all. Future business acquisitions could be material to the Group and it may issue additional equity to pay for those acquisitions, which would dilute current shareholders' ownership interest. Acquisitions could also require the Group to use substantial cash or other liquid assets or to incur debt. In such a case, it could become more susceptible to economic downturns and competitive pressures. The Board has a rigorous investment process in place governing acquisitions made by the Group and clear integration procedures which should minimise such risks.

Jill Collighan

Company Secretary

Approved and signed on behalf of the Board
Dated: 5 June 2016

Registered Office:
100 Fetter Lane
London EC4A 1BN

Directors' Report

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2015 for 365 Agile Group plc (the 'Company' or '365 Agile') and its subsidiaries (together the 'Group').

Principal activity

The principal activity of the Group during the year was the development and supply of software and services which allow companies to mobilise their data systems. The Company is an investment holding company.

Review of the year and future developments

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

Reverse acquisition and restructuring

On 21 August 2015, the Company acquired 365 Agile Limited which constituted a reverse acquisition under IFRS 3. This transaction is explained in more detail in note 1.2 on page 15. On the same date the Company changed its name from lafyds plc to 365 Agile Group plc.

Research and development activities

The Group continues to be active in its research and development of software and services and intends to remain so for the foreseeable future.

Dividends

The Company did not pay a dividend during the year (2014: £nil). The directors do not recommend the payment of a dividend.

Subsequent events

On 4 April 2016, 365 Agile announced it had entered into a revised licence agreement with Castleton Technology plc, the Group's exclusive reseller within the social housing sector. The revised licence guarantees 365 Agile a minimum licence fee income of £1.8 million payable over the coming three years. In addition, certain of the Group's staff were transferred to Castleton Technology plc and a subcontractor agreement entered into with them.

Directors

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

| | | 31 December 2015 | 31 December 2014 |
|-------------------|---|---------------------------|-----------------------|
| | | Number of ordinary | Number of ordinary |
| | | shares of 30p each | shares of 0.003p each |
| Jonathan Holyhead | (Chief Executive Officer, appointed 21 August 2015, resigned 31 March 2016) | 7,419,682* | – |
| Jill Collighan | (Chief Finance Officer, appointed 21 August 2015) | – | – |
| Clive Carver | (Non-executive Chairman) | 40,000 | – |
| Colin Hutchinson | (Non-executive Director) | 40,000 | – |
| Anthony Weaver | (Non-executive Director, appointed 31 March 2016) | – | – |

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

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

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

Financial instruments

The Group's financial instruments primarily comprise borrowings, loan notes and cash balances. In addition, various other financial instruments such as trade receivables and payables arise directly from its operations.

Further details of the Group's risks and policies regarding financial instruments are set out in note 19.

Directors' Report continued

Corporate governance

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

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

Remuneration and nominations committee

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

Audit committee

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

Annual General Meeting

The Annual General Meeting will be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN at 9am on 29 June 2016, to conduct all mandatory business.

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

Disclosure of information to auditors

The directors who were members of the Board at the time of approving the Directors' Report are listed on page 6. Having made enquiries of fellow directors, each of these directors confirms that:

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

Jill Collighan

Company Secretary

Approved and signed on behalf of the Board
Dated: 5 June 2016

Registered Office:
100 Fetter Lane
London EC4A 1BN

Statement of Directors' Responsibilities

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

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

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved and signed by order of the Board

Jill Collighan

Company Secretary

Dated: 5 June 2016

Registered Office:
100 Fetter Lane
London EC4A 1BN

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

We have audited the financial statements of 365 Agile Group plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

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

Respective responsibilities of directors and auditor

As more fully explained in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Stuart Muskett

Senior Statutory Auditor

Dated: 5 June 2016

For and on behalf of Grant Thornton (UK) LLP, Statutory Auditor and Chartered Accountants
4 Hardman Square
Spinningfields
Manchester M3 3EB

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

| | Note | Year ended 31 December 2015 £000 | Year ended 31 December 2014 £000 |
|--|------|---|---|
| Continuing operations | | | |
| Revenue | | 1,591 | 2 |
| Cost of sales | | (197) | – |
| Gross profit | | 1,394 | 2 |
| Administrative expenses | | (3,561) | (53) |
| Other operating income | 4 | 31 | – |
| Adjusted EBITDA⁽¹⁾ | | 135 | (51) |
| Exceptional costs | 5 | (1,800) | – |
| Depreciation | | (39) | – |
| Amortisation | | (367) | – |
| Charges for share-based payments | | (65) | – |
| Operating loss | | (2,136) | (51) |
| Finance income | 6 | 2 | – |
| Finance costs | 6 | (21) | – |
| Loss on ordinary activities before taxation | | (2,155) | (51) |
| Income tax | 8 | 130 | – |
| Loss and total comprehensive income for the year attributable to owners of the parent company | | (2,025) | (51) |
| Loss per share | 9 | | |
| Basic loss per share from continuing activities | | (29.32p) | (6.59p) |
| Diluted loss per share from continuing activities | | (29.32p) | (6.59p) |

⁽¹⁾ Total result for the year from continuing operations before net finance costs, tax, depreciation, amortisation, exceptional costs and share-based payment charges

The notes on pages 14-40 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2015

| | Note | 31 December 2015 £000 | 31 December 2014 £000 |
|--|------|-----------------------------|-----------------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 11 | 3,962 | 16 |
| Property, plant and equipment | 12 | 129 | 7 |
| Trade and other receivables | 14 | 64 | – |
| | | 4,155 | 23 |
| Current assets | | | |
| Inventories | 13 | 106 | – |
| Trade and other receivables | 14 | 515 | 14 |
| Cash and cash equivalents | 15 | 856 | 207 |
| | | 1,477 | 221 |
| Total assets | | 5,632 | 244 |
| Equity and liabilities | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 22 | 5,674 | 3,734 |
| Share premium account | | 14,036 | 7,441 |
| Capital redemption reserve | | 4,426 | 994 |
| Reverse acquisition reserve | | (19,932) | (13,069) |
| Merger relief reserve | | 2,310 | 1,150 |
| Equity reserve | | 65 | – |
| Accumulated loss | | (2,076) | (51) |
| Total equity attributable to the owners of the parent | | 4,503 | 199 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 746 | 45 |
| Borrowings | 18 | 329 | – |
| | | 1,075 | 45 |
| Non-current liabilities | | | |
| Borrowings | 18 | 23 | – |
| Deferred taxation liabilities | 8 | 31 | – |
| | | 54 | – |
| Total liabilities | | 1,129 | 45 |
| Total equity and liabilities | | 5,632 | 244 |

The notes on pages 14-40 are an integral part of these financial statements. The financial statements on pages 10-40 were approved by the Board and authorised for issue on 5 June 2016 and are signed on its behalf by:

Clive Carver
Director

Jill Collighan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

| | Called up share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Reverse acquisition reserve £000 | Merger relief reserve £000 | Equity reserve £000 | Accumulated loss £000 | Total equity £000 |
|--|---------------------------------|-------------------------------|------------------------------------|-------------------------------------|-------------------------------|------------------------|--------------------------|----------------------|
| At 1 January 2014 | 3,474 | 7,490 | 994 | (13,069) | 1,150 | – | – | 39 |
| Loss for the year and total comprehensive income | – | – | – | – | – | – | (51) | (51) |
| Transactions with owners: | | | | | | | | |
| Share issue | 260 | (49) | – | – | – | – | – | 211 |
| At 31 December 2014 | 3,734 | 7,441 | 994 | (13,069) | 1,150 | – | (51) | 199 |
| Loss for the year and total comprehensive income | – | – | – | – | – | – | (2,025) | (2,025) |
| Transactions with owners: | | | | | | | | |
| Share-based payments – staff share scheme | – | – | – | – | – | 47 | – | 47 |
| Share-based payments – warrants issued | – | – | – | – | – | 18 | – | 18 |
| Shares cancelled | (3,432) | – | 3,432 | – | – | – | – | – |
| Shares issued – reverse acquisition | 3,780 | 5,670 | – | – | – | – | – | 9,450 |
| Shares issued – placing | 920 | 1,380 | – | – | – | – | – | 2,300 |
| Shares issued – to acquire subsidiary company | 670 | – | – | – | 1,160 | – | – | 1,830 |
| Shares issued – to former adviser | 2 | 5 | – | – | – | – | – | 7 |
| Cost of share issues | – | (460) | – | – | – | – | – | (460) |
| Reverse acquisition adjustment | – | – | – | (6,863) | – | – | – | (6,863) |
| | 1,940 | 6,595 | 3,432 | (6,863) | 1,160 | 65 | – | 6,329 |
| At 31 December 2015 | 5,674 | 14,036 | 4,426 | (19,932) | 2,310 | 65 | (2,076) | 4,503 |

Called up share capital

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

Share premium account

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

Capital redemption reserve

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

Reverse acquisition reserve

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

Merger relief reserve

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

Equity reserve

The equity reserve is a reserve to recognise those amounts in equity in respect of share-based payments as follows:

Firstly, on 31 July 2015, in acknowledgement of professional services provided as the Group's corporate finance adviser, warrants over 5% of the Company's current and future issued share capital were issued to MXC Capital Guernsey Limited ('MXC'). At 31 December 2015, MXC held 945,703 share warrants in the Company. The fair value of the warrants is calculated using a two-tiered Black-Scholes option pricing model together with an empirical model, adjusted by a probability weighting to take the likely achievement of performance criteria into account.

Secondly, in September 2015, an employee share scheme was implemented for certain members of staff. The fair value of awards under the scheme have been calculated using a two-tiered Black-Scholes option pricing model together with an empirical model, adjusted by a probability weighting to take the likely achievement of performance criteria into account.

Accumulated loss

Accumulated loss represents losses incurred.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

| | Note | 31 December 2015 £000 | 31 December 2014 £000 |
|---|------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Cash used in operations | 24 | (881) | (20) |
| Net finance charges paid | | (17) | - |
| Income taxes paid | | (36) | - |
| Net cash flows used in operating activities | | (934) | (20) |
| Cash flows from investing activities | | | |
| Acquisition of subsidiaries, net of cash acquired | | (782) | - |
| Purchase of property, plant and equipment | | (71) | (7) |
| Capitalisation of development costs | | (218) | (16) |
| Net cash flows used in investing activities | | (1,071) | (23) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of shares | | 2,300 | 250 |
| Costs of share issue | | (460) | - |
| Borrowings received | | 950 | - |
| Repayment of borrowings | | (136) | - |
| Net cash flows generated from financing activities | | 2,654 | 250 |
| Net increase in cash and cash equivalents | | 649 | 207 |
| Cash and cash equivalents at 1 January | | 207 | - |
| Cash and cash equivalents at 31 December | | 856 | 207 |
| Comprising: | | | |
| Cash and cash equivalents | 15 | 856 | 207 |

The notes on pages 14-40 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 Accounting policies – Group

365 Agile Group plc ('365 Agile') is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the AIM division of the London Stock Exchange. The registered office is 100 Fetter Lane, London, EC4A 1BN and the principal place of business is the United Kingdom. The principal accounting policies, which have been applied consistently in the preparation of these consolidated financial statements throughout the year and by all subsidiary companies, are set out below:

1.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Section 1.23 in the accounting policies.

Comparative amounts are restated in respect of the reverse acquisition of 365 Agile Limited. Further details are given in Section 1.2 below.

New standards adopted in the year are discussed in Section 1.22.

Going Concern

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

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

1.2 Basis of consolidation

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

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

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 Accounting policies – Group continued

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

Although the consolidated financial information has been issued in the name of the legal parent, 365 Agile Group plc, it represents in substance continuation of the financial information of the legal subsidiary, 365 Agile Limited.

The assets and liabilities of the legal subsidiary, 365 Agile Limited, are recognised and measured in the Group financial statements at the pre-transaction carrying amounts, without restatement of fair value. The retained earnings and other equity balances of 365 Agile Group plc immediately before the transaction and the results of the period from 1 January 2013 to the date of the transaction are those of 365 Agile Limited. However, the equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, 365 Agile Group plc, including equity instruments issued in order to effect the transaction. Comparative numbers presented in the financial statements are the accounts of 365 Agile Limited for the period ended 31 December 2014.

The aggregate deemed fair value of consideration paid, assets and liabilities acquired and resulting charge to the income statement in respect of the above acquisition is £939,792.

1.3 Intangible assets

Goodwill

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

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

The carrying amount of goodwill allocated to a cash generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

Development costs

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

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

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

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

Development & software costs – 20 per cent on cost per annum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 Accounting policies – Group continued

Other intangible assets

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

| | |
|--|---------------|
| Software | 4 years |
| Customer contracts and related relationships | within 1 year |

Impairment and amortisation charges are included within the administrative expenses line in the profit or loss.

1.4 Property, plant and equipment

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

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

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

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

1.5 Impairment of assets

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

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

The recoverable amount of intangible assets and property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the cash generating unit to which the asset belongs. Fair value less costs to sell is, where known, based on actual sales price net of costs incurred in completing the disposal.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 Accounting policies – Group continued

1.6 Share capital

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

Share warrants that are issued within the scope of IFRS 2 (as detailed in 1.13) are measured at fair value at each reporting period end. They are classified as equity instruments based on the substance of the contractual arrangements entered into.

1.7 Leases

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

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

1.8 Current and deferred income tax

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

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

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

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

1.9 Trade and other receivables

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

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

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

1.10 Cash and cash equivalents

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

1.11 Foreign currencies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 Accounting policies – Group continued

1.12 Pensions

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

1.13 Share-based payment transactions

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

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

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

1.14 Financial assets

The Group classifies its financial assets as loans and receivables.

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

Recognition

Financial assets are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted by translation costs.

De-recognition

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

Impairment of financial assets

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

1.15 Interest-bearing loans and borrowings

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

De-recognition

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 Accounting policies – Group continued

1.16 Finance costs

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

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

1.17 Revenue

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

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

Sale of software licences

The Group sells licences to use its software products either on a perpetual royalty free basis or on a rental basis for a fixed period of time. Revenue arising from the sale of perpetual licences is recognised at the time of sale provided that all the Group's obligations associated with the sale of the licence have been fulfilled. Revenue from licences sold on a rental or subscription basis is recognised over the period for which the Group has obligations under the contract.

Sales of services

The Group sells consultancy, training, implementation and project management services to customers either separately from or in conjunction with the sale of licences. Revenue from the sale of services is recognised as the services are provided. The licence element is recognised as noted above.

Sales of goods

Sales of goods are recognised on delivery.

Annual contracts

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

1.18 Other income

Finance income

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

Government grants

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

Grants received in respect of capital expenditure is offset against the corresponding fixed asset addition in the statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 Accounting policies – Group continued

1.19 Exceptional items

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

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

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

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

1.20 Operating profit or loss

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

1.21 Segmental reporting

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

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

1.22 Application of new IFRSs and interpretations

New standards and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 Accounting policies – Group continued

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.23 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- **Estimated valuation of intangibles**
On acquisition of a new business, the Group identifies the fair value of net assets acquired. It also identifies intangible assets. This calculation involves estimates about future revenues, costs, cash flows and the cost of capital for the Group. It also involves estimating the life of customer contracts and software. Such estimates are derived from actual data and management experience. See note 10 for further details.
- **Estimated impairment of goodwill and intangible assets with indefinite lives**
The Group tests annually whether goodwill and intangible assets with indefinite lives have suffered any impairment, in accordance with the accounting policy stated in 1.5. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates based on actual data and management experience. Further details of the Group's goodwill are given in note 10.
- **Estimated valuation of financial instruments**
Share warrants are valued based on the following definition of Fair Value per IFRS 13 'Fair Value Measurement': 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. These calculations require the use of estimates of inputs such as share price volatility, performance criteria, dividend yield and warrant life. External experts have been engaged for valuation purposes where appropriate. See note 23 for further details.
- **Classification of convertible loan notes**
The Company has a contractual obligation to deliver cash on maturity of its convertible loan notes for the amount of principal and interest which the Company cannot avoid. Therefore, the loan notes include a financial liability relating to the cash obligation. Furthermore, the holders of the notes will receive the same percentage of shares as a result of any possible adjusting events as would have been the case before the adjusting event took place. The fixed for fixed test in terms of IAS 32 is therefore not passed and the loan notes are accounted for as a financial liability as a whole. Further details are given in note 18.
- **Share based payments**
The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model for which the assumptions regarding inputs such as share price volatility, performance criteria, dividend yield and warrant life are approved by the directors. See note 23 for further details.
- **Estimated allocation of costs incurred on reverse acquisition**
The Group has incurred professional fees in connection with the reverse acquisition of 365 Agile Limited and the co-terminus equity fundraise. The costs in relation to the reverse acquisition are expensed in the profit or loss whilst the costs incurred relating to the equity fundraise are deducted from equity. Services provided by advisers comprise both elements of cost with no split between the two components. The directors have exercised judgement when classifying such costs between the income statement and equity and have allocated £406,000 to the income statement and £460,000 to equity.
- **Classification of Exceptional costs**
The directors have exercised judgement when classifying certain costs as integration and strategic costs. They believe that these costs are all related to the costs described in note 1.19 and are further detailed in note 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2 Segment reporting

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

The Executive Board is responsible for resource allocation and, when applicable, assessing the performance of the operating segments. Operating segments are defined by distinctly separate product offerings or markets. The CODMs consider that, given the current early stage of the Group's development, product set and sales function, all activities to relate to one segment; the development and exploitation of technology. All results therefore, for both the current and comparative period, relate to this one operating segment.

The CODMs will continue to assess whether the Group has more than one operating segment and at such time will report accordingly.

All revenue originates in the United Kingdom with the exception of £27,000 (2014: £nil) which originated in the USA.

The Group's revenue is analysed as follows:

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Sale of goods | 385 | – |
| Rendering of services – provision of licences and ongoing support | 1,206 | – |
| | 1,591 | 2 |

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

| | 2015 £000 | 2014 £000 |
|------------|--------------|--------------|
| Customer A | 683 | 2 |
| Customer B | 431 | – |

3 Expenses by nature

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Employee costs within administrative expenses | 881 | 32 |
| Depreciation of owned assets | 39 | – |
| Amortisation of intangible assets | 367 | – |
| Fees payable to the Company's auditor for the audit of the consolidated and Group financial statements | 20 | 6 |
| Fees payable to the Company's auditor for the audit of the Company's subsidiaries | 12 | – |
| Share-based compensation (see note 23) | 65 | – |
| Exceptional costs (see note 5) | 1,800 | – |
| Other administrative costs | 377 | 15 |
| Total administrative expenses | 3,561 | 53 |

4 Other operating income

To support the further development of its technology and the creation of new employment opportunities the Group received the following grant funding in the year:

| | 2015 £000 | 2014 £000 |
|-----------------------|--------------|--------------|
| Grant income received | 31 | – |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5 Exceptional costs

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

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Deemed cost of listing on reverse (see note 1.2) | 940 | – |
| Reverse acquisition costs | 406 | – |
| Other acquisition costs | 249 | – |
| Integration and reorganisation costs | 205 | – |
| | 1,800 | – |

6 Finance income and costs

Finance income

| | 2015 £000 | 2014 £000 |
|-------------------|--------------|--------------|
| On loans advanced | 2 | – |

Finance cost

| | 2015 £000 | 2014 £000 |
|---------------------------------|--------------|--------------|
| Interest expense in respect of: | | |
| Commitment fees | 6 | – |
| Loan notes | 2 | – |
| Other loans | 13 | – |
| | 21 | – |

7 Employee benefits expense

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Staff costs for the year for continuing operations, including executive directors, amounted to: | | |
| Wages and salaries | 778 | 28 |
| Social security costs | 101 | 4 |
| Pension costs | 2 | – |
| | 881 | 32 |
| Share based payments | 47 | – |
| | 928 | 32 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7 Employee benefits expense continued

Average monthly number of people employed (including executive directors):

| | 2015 £000 | 2014 £000 |
|--------------------------|--------------|--------------|
| Technical and operations | 18 | 7 |
| Management | 1 | 1 |
| Administration | 3 | 1 |
| Total average headcount | 22 | 9 |

The remuneration of the directors was as follows:

| | Basic salary, allowances and fees | Bonus £000 | Benefits £000 | 2015 Total £000 | 2014 Total £000 |
|---|---|---------------|------------------|-----------------------|-----------------------|
| Executive | | | | | |
| Jonathan Holyhead (highest paid director) | 90 | – | 10 | 100 | 13 |
| Jill Collighan | 14 | – | – | 14 | – |
| Non-executive | | | | | |
| Clive Carver | 18 | – | – | 18 | – |
| Colin Hutchinson | 12 | – | – | 12 | – |
| | 134 | – | 10 | 144 | 13 |

Director's emoluments in respect of Jill Collighan were paid to MXC Capital (UK) Limited, a related party. None of the directors held any share options in the Company in 2015 or 2014.

8 Income tax

(a) Tax on profit on ordinary activities

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Corporation Tax: | | |
| Current tax on loss for the year | – | – |
| Deferred tax: | | |
| Origination and reversal of timing differences | – | – |
| Losses carried forward | (130) | – |
| Total tax credit | (130) | – |

The rate of UK Corporation tax for the year beginning 1 January 2014 is 20%. The rate of UK corporation tax for the year beginning 1 January 2015 is 20% and the relevant deferred tax balances reflect this.

Reductions in the UK Corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015.

(b) Reconciliation of the total income tax credit

The tax on the Group's profit 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:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

8 Income tax continued

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Continuing loss from operations before taxation | (2,155) | (51) |
| Accounting profit/(loss) multiplied by the UK standard rate of corporation tax of 20% (2014: 20%) | (431) | (10) |
| Net items not deductible/(chargeable) for tax purposes | 301 | – |
| Unrelieved losses | – | 10 |
| Movement in deferred tax | – | – |
| Total income tax credit on continuing operations | (130) | – |

(c) Unrecognised deferred tax

The Group has unrecognised deferred tax assets of £2.0 million (2014: £1.9 million) in respect of losses incurred in previous years which it is unlikely to be able to utilise except in very limited circumstances. Deferred tax assets have not been recognised in respect of losses where it is the view of the directors that it is not probable that future taxable profits of the nature required will be available to offset against any deferred tax asset.

(d) Deferred tax liability

| | £000 |
|------------------------------|-------|
| At 31 December 2013 and 2014 | – |
| Business combinations | 161 |
| Credit to income statement | (130) |
| At 31 December 2015 | 31 |

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

9 Earnings/loss per share

Basic loss per share and diluted loss per share are calculated using a weighted average number of shares of 6,907,375 and 6,957,395 respectively. (2014: weighted average number of shares of 773,499). Adjusted EBITDA* has been shown on the grounds that it is a common metric used by the market in monitoring similar businesses.

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Loss for the year from continuing operations before tax | (2,155) | (51) |
| Net finance expense | 19 | – |
| Depreciation | 39 | – |
| Amortisation | 367 | – |
| Share-based payment charges | 65 | – |
| Exceptional items included in administrative expenses | 1,800 | – |
| Adjusted EBITDA* | 135 | (51) |
| Basic adjusted EBITDA* per share | 1.95p | (6.59p) |
| Statutory EPS: | | |
| Basic loss per share from continuing activities | (29.32p) | (6.59p) |
| Diluted loss per share from continuing activities | (29.32p) | (6.59p) |

The weighted number of shares and the loss for the year for the purposes of calculating the fully diluted earnings per share are the same as the basic loss per share calculation. This is because the outstanding share options and warrants would have the effect of reducing the loss per ordinary share and would, therefore, not be dilutive under the terms of IAS 33.

*Total result for the year from continuing operations before net finance costs, tax, depreciation, amortisation, exceptional costs and share-based payment charges.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

10 Business combinations

South View Solutions

On 27 February 2015, 365 Agile Limited acquired 100% of the issued share capital of South View Solutions Limited ('SVS'), a specialist supplier of software and solutions to the social housing sector, for a total consideration of £1.1 million. The principal reason for the acquisition was to strengthen the Group's existing technology, as well as providing access to new customers.

The consideration was satisfied as to £0.75 million in cash and loan notes of £0.35 million. The loan notes were fully settled in July 2015 when they were converted into equity in 365 Agile Limited.

From the date of acquisition to 31 December 2015, the portion of SVS held within continuing activities achieved revenue of £0.75 million and a profit before taxation of £0.4 million. The reported revenue of SVS from the date of its last statutory accounts of 31 July 2014 through to 31 December 2015 was £1.3 million and the profit for the period before taxation was £0.3 million.

Acquisition costs were £46,000.

The goodwill arising on this acquisition is attributable to new cross-selling opportunities achieved from combining the acquired customer bases and technology with the existing Group.

Wireless Things

On 17 March 2015, 365 Agile acquired the entire issued share capital of Wireless Things Limited, formerly Ciseco Limited ('Wireless Things'), a provider of Internet of Things solutions for £0.5 million, satisfied by the issue of shares in 365 Agile Limited with a fair value of £0.5 million. The principal reason for the acquisition was to strengthen the Group's technical knowledge in the Internet of Things ('IoT') market to enable IoT technologies to be embedded into the Group's existing product portfolio.

From the date of acquisition to 31 December 2015, the portion of Wireless Things held within continuing activities achieved revenue of £0.2 million and a loss before taxation of £0.2 million. The reported revenue of Wireless Things from the date of its last statutory accounts of 31 July 2014 through to 31 December 2015 was £0.4 million and the loss for the period before taxation was £0.1 million.

Acquisition costs were £49,000.

Wireless Things does not generate positive cash flows or profits as a stand-alone entity and is therefore not considered by the Board to have any separable intangible assets. The entire excess of consideration over net assets has therefore been allocated as goodwill. This goodwill is attributable to the IoT knowledge acquired to enable the Group to expand its product portfolio by the integration of IoT capabilities with the Group's existing technology.

365 Agile Limited

On 21 August 2015, 365 Agile Group plc acquired 365 Agile Limited for a total consideration of £9.5 million satisfied by the issue of 12,599,999 Ordinary Shares of £0.30 each at £0.75. The principal reason for the acquisition was to give 365 Agile Limited a stock market listing.

In the Group accounts the reverse acquisition methodology has been applied as set out in IFRS 3. The legal subsidiary is identified as the acquirer and the fair value of the deemed consideration is £829,655. The legal parent is identified as a subsidiary. The aggregate deemed fair value of the net liabilities was £110,138. The excess of the deemed cost over the fair value of assets and liabilities represents a share-based payment. The resulting charge to the income statement in accordance with IFRS 2 in respect of the acquisition was £939,793. The fair value of the net liabilities of the legal parent at the date of acquisition can be analysed as follows:

| | £000 |
|-------------------|-------------|
| Other debtors | 7 |
| Cash | 17 |
| Trade payables | (18) |
| Other liabilities | (116) |
| Net liabilities | (110) |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

10 Business combinations continued

Easytherm

On 23 November 2015, 365 Agile acquired the entire share capital of Easytherm Limited ('Easytherm'), a developer of Internet of Things technology, for £2.1 million, satisfied by £0.2 million in cash, £1.8 million at fair value of shares issued in 365 Agile Group plc and £0.1 million of convertible loan notes. In addition, the Company issued a further £0.2 million of convertible loan notes in settlement of borrowings owed by Easytherm Limited. The loan notes are repayable in 12 months, carry 5% coupon and are convertible into new ordinary shares of 30 pence each in 365 Agile ('Ordinary Shares') at a price of 82 pence per Ordinary Share. The fair value of loan notes at the date of issue was £0.3 million. The principal reason for the acquisition was to further strengthen the Group's technical knowledge in the IoT market and to enable additional IoT technologies to be embedded into the Group's existing product portfolio.

From the date of acquisition to 31 December 2015, the portion of Easytherm held within continuing activities achieved revenue of £nil and a profit before taxation of £nil. The reported revenue of Easytherm from the date of its last statutory accounts of 30 April 2015 through to 31 December 2015 was £11,000 and the loss for the period before taxation was £46,000.

Acquisition costs were £106,000.

Easytherm does not generate positive cash flows or profits as a stand-alone entity and is therefore not considered by the Board to have any separable intangible assets. The entire excess of consideration over net assets has therefore been allocated as goodwill. This goodwill is attributable to the IoT knowledge acquired to enable the Group to expand its product portfolio by the integration of further IoT capabilities with the Group's existing technology and the development of new products.

Goodwill

The total provisional goodwill arising from the acquisitions is the difference between the fair value of consideration less the provisional fair value of assets acquired:

| | SVS £000 | Wireless Things £000 | Easytherm £000 | Total £000 |
|--|---------------------|-------------------------------------|---------------------------|-----------------------|
| Fair value of purchase consideration | 1,100 | 456 | 2,142 | 3,698 |
| Less fair value of assets acquired: | | | | |
| Property, plant and equipment | (12) | (78) | – | (90) |
| Inventories | – | (40) | (25) | (65) |
| Trade receivables | (444) | (19) | – | (463) |
| Other debtors | (4) | (10) | – | (14) |
| Cash | (176) | (4) | (1) | (181) |
| Deferred tax asset | (30) | – | – | (30) |
| Trade payables | 33 | 37 | 6 | 76 |
| Corporation tax payable | 36 | – | – | 36 |
| Borrowings | – | 63 | 342 | 405 |
| Other liabilities | 507 | 16 | 9 | 532 |
| Software | (795) | – | – | (795) |
| Customer contracts and related assets | (160) | – | – | (160) |
| Deferred tax liability | 191 | – | – | 191 |
| Goodwill | 246 | 421 | 2,473 | 3,140 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

10 Business combinations continued

The consideration was satisfied as follows:

| | SVS £000 | Wireless Things £000 | Easytherm £000 | Total £000 |
|-------------------------|-------------|----------------------------|-------------------|---------------|
| Cash | 750 | – | 230 | 980 |
| Equity issued | – | 456 | 1,760 | 2,216 |
| Convertible loan notes: | | | | |
| – classified as debt | – | – | 152 | 152 |
| – classified as equity | 350 | – | – | 350 |
| | 1,100 | 456 | 2,142 | 3,698 |

On acquisition of each business the directors assessed the business acquired to identify any intangible assets. Customer contracts and related relationships and software met the criteria for recognition as intangible assets as they are separable from each other and have a measurable fair value, being the amount for which an asset would be exchanged between knowledgeable and willing parties in an arm's length transaction. Where, in the opinion of the directors, there were no separable assets on acquisition the entire purchase consideration has been allocated to goodwill.

For the customer contracts the fair value of the intangible assets was calculated by using the cash flows arising from the existing customer contracts base. Due to the short term nature of the contracts acquired, only those revenues relating to contracted amounts or outstanding orders at the date of acquisition were included in this category.

The fair value of software was calculated by using the discounted cash flows expected to arise from the use of the software by the directors.

A customer retention rate of 95% was applied with a discount rate of 8.07%. The reasonable economic life of the customer relationships and software was assumed to be between 0 and 4 years. The identifiable intangible assets and related deferred tax liability are as follows:

| | SVS £000 | Wireless Things £000 | Easytherm £000 | Total £000 |
|---------------------------------------|-------------|----------------------------|-------------------|---------------|
| Customer contracts and related assets | 160 | – | – | 160 |
| Software | 795 | – | – | 795 |
| Deferred tax liability | (191) | – | – | (191) |
| Goodwill | 246 | 421 | 2,473 | 3,140 |
| | 1,010 | 421 | 2,473 | 3,904 |

Impairment tests for goodwill

In the opinion of the Board, the Group has one cash generating unit, the development and exploitation of technology. The goodwill arising on acquisition represents the economic benefits the Group is expecting to derive as detailed above, and is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of the goodwill was based on a value in use calculation using cash flow projections until December 2025 from forecast revenue streams. Forecast revenue and costs were based on sensitised management expectations, with revenue based on assumed penetration of 0.2%, 3%, 6%, 9% and 12% of certain target sectors for each of the years ended 2016 to 2020 respectively, with no growth thereafter. An increase in operating costs of 54% over current levels has also been assumed. Cash flows were discounted at a rate of 9.97% which reflects management's risk-adjusted estimate of the weighted average cost of capital. Following the impairment review of goodwill, the directors considered it unnecessary to record a goodwill impairment charge in the year ended 31 December 2015. A reasonably possible adverse movement in any of the above key assumptions made would not give rise to an impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

11 Intangible assets

| | Goodwill £000 | Software £000 | Customer contacts and related relationships £000 | Development expenditure £000 | Total £000 |
|----------------------------|------------------|------------------|--|------------------------------------|---------------|
| Cost | | | | | |
| At 1 January 2013 | – | – | – | – | – |
| Additions | – | – | – | 16 | 16 |
| At 1 January 2014 | – | – | – | 16 | 16 |
| Additions | – | – | – | 218 | 218 |
| Business Combinations | 3,140 | 795 | 160 | – | 4,095 |
| At 31 December 2015 | 3,140 | 795 | 160 | 234 | 4,329 |
| Amortisation | | | | | |
| At 1 January 2013 and 2014 | – | – | – | – | – |
| Charge for the year | – | (200) | (160) | (7) | (367) |
| At 31 December 2015 | – | (200) | (160) | (7) | (367) |
| Net carrying amount | | | | | |
| 31 December 2015 | 3,140 | 595 | – | 227 | 3,962 |
| 31 December 2014 | – | – | – | 16 | 16 |

Software relates to the Group's technology platform.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

12 Property, plant and equipment

| | Plant and machinery £000 | Equipment, fixtures and fittings £000 | Total £000 |
|---------------------------------|--------------------------------|--|---------------|
| Cost | | | |
| At 1 January 2013 | – | – | – |
| Additions | – | 7 | 7 |
| At 1 January 2014 | – | 7 | 7 |
| Additions | 39 | 32 | 71 |
| Business Combinations | 71 | 19 | 90 |
| At 31 December 2015 | 110 | 58 | 168 |
| Accumulated depreciation | | | |
| At 1 January 2013 and 2014 | – | – | – |
| Charge for the year | (22) | (17) | (39) |
| At 31 December 2015 | (22) | (17) | (39) |
| Net book amount | | | |
| 31 December 2015 | 88 | 41 | 129 |
| 31 December 2014 | – | 7 | 7 |

The depreciation expense relating to continuing operations of £39,000 (2014: £nil) has been charged to administrative expenses.

13 Inventories

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Inventory | 112 | – |
| Less: provision for obsolete and slow-moving stock | (6) | – |
| | 106 | – |

The table below shows the analysis of inventory:

| | 2015 £000 | 2014 £000 |
|------------------------------------|--------------|--------------|
| Raw materials and work in progress | 52 | – |
| Finished goods | 54 | – |
| | 106 | – |

During the period, the cost of inventories recognised as an expense and included in cost of sales amounted to £91,000 (2014: £nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

14 Trade and other receivables

| | 2015 £000 | 2014 £000 |
|---------------------------------------|--------------|--------------|
| Trade receivables | 392 | – |
| Other receivables | 79 | 2 |
| Prepayments | 44 | 12 |
| Amounts due within 12 months | 515 | 14 |
| Other receivables | 64 | – |
| Amounts due after more than 12 months | 64 | – |
| Total receivables | 579 | 14 |

As at 31 December 2015, trade receivables of £21,000 (2014: £nil) were impaired and fully provided for.

As at 31 December 2015, trade receivables of £122,000 (2014: £nil) were past due but not impaired. In the table below, these comprise the receivables over 90 days, which relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of net trade receivables which are past due and not impaired is as follows:

| Days outstanding | 2015 £000 | 2014 £000 |
|------------------|--------------|--------------|
| 91–180 days | 68 | – |
| 181 days + | 54 | – |
| | 122 | – |

The provision is calculated by local management on a specific basis based on their best estimate of recoverability taking into account the age and specific circumstances relating to the debtor. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security. The carrying amounts of the Group's trade and other receivables are denominated in pounds.

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

| | £000 |
|-------------------------------------|------|
| Balance at 31 December 2014 | – |
| Fair value on Business Combinations | 34 |
| Utilised | (13) |
| At 31 December 2015 | 21 |

The creation and release of a provision for impaired receivables has been included in 'administrative expenses' in the income statement. Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash.

The other asset classes within trade and other receivables do not contain impaired assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

15 Cash and cash equivalents

| | 2015 £000 | 2014 £000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 856 | 207 |

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

| Credit rating | 2015 £000 | 2014 £000 |
|----------------|--------------|--------------|
| BBB+ and above | 856 | 207 |

16 Trade and other payables

| Current | 2015 £000 | 2014 £000 |
|------------------------------|--------------|--------------|
| Trade payables | 279 | 16 |
| Other payables | 23 | – |
| Taxation and social security | 83 | 9 |
| Accruals | 140 | 20 |
| Deferred income | 221 | – |
| | 746 | 45 |

17 Commitments

a) Operating leases

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

| Leases ending: | Land and buildings 2015 £000 | Other 2015 £000 | Land and buildings 2014 £000 | Other 2014 £000 |
|--|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
| Not later than 1 year | 30 | 7 | – | – |
| After 1 year but not more than 5 years | – | 29 | 26 | 21 |
| After 5 years | – | – | – | – |
| | 30 | 36 | 26 | 21 |

The Group's operating leases related to property and motor vehicles and had remaining terms of between 1 and 3 years.

(b) Capital commitments

The Group had no contracted but not provided for capital commitments at 31 December 2015 (2014: £nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

18 Borrowings

| | 2015 | 2014 |
|------------------------|------------|------|
| | £000 | £000 |
| Current | | |
| Loan | 8 | – |
| Convertible loan notes | 321 | – |
| | 329 | – |
| Non-current | | |
| Loan | 23 | – |

Loans

The loan is repayable at an interest rate of 10.27% per annum. The remaining term at 31 December 2015 is 32 months.

Convertible loan notes

Convertible loan notes were issued on 23 November 2015 in order to satisfy consideration for the acquisition of Easytherm Limited and the repayment of an associated loan. The loan notes are all repayable with 12 months of issue, carry 5% coupon and are convertible into new ordinary shares of 30 pence each at the holders' option at a price of 82 pence per share. The convertible loan notes are classified as debt in accordance with IAS 39.

All loan notes are payable within 12 months of the balance sheet date.

The company has a contractual obligation to deliver cash on maturity for the amount of principal and interest which the company cannot avoid. Therefore, the loan notes include a financial liability relating to the cash obligation. Furthermore, the holders of the notes will receive the same percentage of shares as a result of any possible adjusting events as would have been the case before the adjusting event took place. The fixed for fixed test in terms of IAS 32 is therefore not passed and the loan note is accounted for as a financial liability as a whole.

19 Financial instruments by category

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

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

| | 2015 | 2014 |
|---|--------------|------|
| | £000 | £000 |
| Financial Assets – loans and receivables | | |
| Trade receivables | 392 | – |
| Other current assets | 79 | 2 |
| Other receivables due after 12 months | 64 | – |
| Cash and cash equivalents | 856 | 207 |
| | 1,391 | 209 |

Fair value of the above items equals their carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19 Financial instruments by category continued

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Financial Liabilities – amortised cost | | |
| Trade and other payables excluding statutory liabilities | 442 | 36 |
| Convertible loan notes | 321 | – |
| Other loans | 31 | – |
| | 794 | 36 |

20 Financial risk management

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

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates within the UK and foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

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

(ii) Cash flow risk

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

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

(iii) Price risk

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

(b) Credit risk

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

(c) Liquidity risk

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

20 Financial risk management continued

| | Within 1 year £000 | 1–2 years £000 | More than 2 years £000 | Total £000 |
|----------------------------|--------------------------|-------------------|------------------------------|---------------|
| At 31 December 2015 | | | | |
| Trade and other payables | 442 | – | – | 442 |
| Convertible loan notes | 335 | – | – | 335 |
| Other loans | 11 | 11 | 18 | 40 |

| | Within 1 year £000 | 1–2 years £000 | More than 2 years £000 | Total £000 |
|----------------------------|--------------------------|-------------------|------------------------------|---------------|
| At 31 December 2014 | | | | |
| Trade and other payables | 36 | – | – | 36 |

21 Capital management

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

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

The Group uses the following definition of net debt:

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

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

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Interest bearing loans and borrowings (note 18) | 352 | – |
| Less: Cash and short term deposits (note 15) | (856) | (207) |
| Net debt | (504) | (207) |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22 Called up share capital

| | 2015 Number | 2014 Number | 2015 £000 | 2014 £000 |
|--|-------------------|----------------|--------------|--------------|
| Allotted, called up and fully paid share capital | | | | |
| Ordinary shares of 30p (2014: 0.003p, 2013: 25p) | | | | |
| 1 January | 10,056,423,466 | 1,389,756,860 | 302 | 42 |
| Share consolidation | (10,055,417,823) | – | – | – |
| Share issues | 17,908,430 | 8,666,666,606 | 5,372 | 260 |
| 31 December | 18,914,073 | 10,056,423,466 | 5,674 | 302 |
| Allotted, called up and fully paid share capital | | | | |
| Deferred shares of 0.247p | | | | |
| 1 January | 1,389,756,800 | 1,389,756,800 | 3,432 | 3,432 |
| Shares repurchased and cancelled | (1,389,756,800) | – | (3,432) | – |
| 31 December | – | 1,389,756,800 | – | 3,432 |
| Total issued share capital | 18,914,073 | 11,446,180,266 | 5,674 | 3,734 |

Ordinary shareholders have the right to attend, vote and speak at meetings, receive dividends, and receive a return on assets in the case of a winding up.

The deferred shares are transferable only with the consent of the Company and will not be admitted to trading on AIM (or any other investment exchange). The holders of the deferred shares do not, by virtue or in respect of their holdings of deferred shares, have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares were repurchased and cancelled by the Company on 20 August 2015 for a total consideration of 1 penny.

Share issue

During the year the following shares were issued:

| | 2015 Number | 2014 Number |
|---|-------------------|----------------|
| Placing with investors | 3,066,667 | 8,666,666,606 |
| Shares issued as consideration for fees | 10,056 | – |
| Shares issued as consideration for acquisition of 365 Agile Limited | 12,599,999 | – |
| Shares issued as consideration for acquisition of Easytherm Limited | 2,231,708 | – |
| | 17,908,430 | 8,666,666,606 |

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22 Called up share capital continued

Warrants

During the year, in acknowledgement of professional services provided as the Group's corporate finance adviser, warrants over 5% of the Company's current and future issued share capital were issued to MXC Capital Guernsey Limited ('MXC'). At 31 December 2015, MXC held 945,703 share warrants in the Company. 50% of the warrants vest between one and three years from grant, the remaining 50% also vest between one and three years from grant if the shares achieve a compound growth rate of 12% per annum from the placing price of 75 pence at the point of exercise. The warrants must be exercised within seven years of grant.

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

The weighted average fair value of the warrants issued during the period determined by the option pricing model above was 8.56 pence per warrant. The significant inputs into the model were weighted average share price of 75.8 pence per share at the grant date, an exercise price of between 75 pence and 82 pence per share, volatility of 48.72%, probability of achieving performance targets of 15.44% and an expected warrant life of one to seven years.

The expense recognised for equity-settled share-based payments in respect of warrants issued during the year to 31 December 2015 was £18,000 (2014: £nil).

23 Share-based payment plans

During the year ended 31 December 2015, the Group's share-based payments charge was as follows:

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Equity-settled share-based charge arising from share plans for employees | 47 | – |
| Equity-settled share-based charge arising from warrants | 18 | – |
| Total equity-settled share-based payments | 65 | – |

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

Employee Share Scheme

The ESS scheme has the following broad principles:

650 ESS shares have been issued in a subsidiary company and will entitle participants to share in a pool equivalent to 7.5% of shareholder value created in excess of the IPO valuation of the Company, subject to the share price performance of 365 Agile Group plc. Share price performance will initially be tested over a three-year period, with a two-year extension if the performance condition is not met during the three years. The share price performance criterion is a doubling of the share price of the Company to 200% of the IPO price of 75p, over ten consecutive trading days.

The fair value of the ESS shares is calculated by an external valuations expert using a two-tiered Black-Scholes option pricing model together with an empirical model, adjusted by a probability weighting to take the likely achievement of performance criteria into account. The weighted average fair value of the ESS shares issued during the period was £652.87 per ESS share. The significant inputs into the model were the weighted average share price of 85.5 pence per share at the grant date, volatility of 48.72%, probability of achieving performance targets of 12.8% and an expected ESS share life of three years. The expense recognised for equity-settled share-based payments in respect of employee services received during the year to 31 December 2015 was £47,000 (2014: £nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

23 Share-based payment plans continued

Warrants

During the year, in acknowledgement of professional services provided as the Group's corporate finance adviser, warrants over 5% of the Company's current and future issued share capital were issued to MXC Capital Guernsey Limited ('MXC'). At 31 December 2015, MXC held 945,703 share warrants in the Company. 50% of the warrants vest between one and three years from grant, the remaining 50% also vest between one and three years from grant if the shares achieve a compound growth rate of 12% per annum from the placing price of 75 pence at the point of exercise. The warrants must be exercised within seven years of grant.

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

The weighted average fair value of the warrants issued during the period determined by the option pricing model above was 8.56 pence per warrant. The significant inputs into the model were weighted average share price of 75.8 pence per share at the grant date, an exercise price of between 75 pence and 82 pence per share, volatility of 48.72%, probability of achieving performance targets of 15.44% and an expected warrant life of one to seven years.

The expense recognised for equity-settled share-based payments in respect of warrants issued during the year to 31 December 2015 was £18,000 (2014: £nil).

24 Net cash flows from continuing operating activities

| | 2015 £000 | 2014 £000 |
|---|----------------|--------------|
| Loss on ordinary activities before taxation | (2,155) | (51) |
| Adjustments for: | | |
| Net finance costs | 19 | – |
| Depreciation of property, plant and equipment | 39 | – |
| Amortisation of intangibles | 367 | – |
| Equity-settled share-based payment charge | 65 | – |
| Deemed cost of listing on reverse acquisition | 940 | – |
| Movements in working capital: | | |
| Increase in trade and other receivables | (83) | (14) |
| (Decrease)/increase in trade and other payables | (31) | 45 |
| Increase in inventory | (42) | – |
| Cash used in continuing operations | (881) | (20) |

25 Pensions

The Group operates defined contribution pension schemes for eligible employees. The charge for the year ended 31 December 2015 relating to continuing operations is £2,000 (2014: £nil). There were no amounts outstanding at 31 December 2015 or 2014 in respect of pension contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

26 Subsidiaries

At 31 December 2015, the Company had the following subsidiary undertakings:

| | Principal activity | Country of incorporation | % Ordinary capital owned |
|--|--|--------------------------|--------------------------|
| Held by 365 Agile Group plc: | | | |
| 365 Agile Limited | Software development and services | England and Wales | 100% |
| Flightstore Inflight Retailing Limited | Dormant | England and Wales | 100% |
| FG Employee Trustee Company Limited | Dormant | England and Wales | 100% |
| Held by 365 Agile Limited: | | | |
| South View Solutions Limited | Software development and services | England and Wales | 100% |
| Wireless Things Limited (formerly Ciseco Limited) | Software and hardware development and services | England and Wales | 100% |
| Easytherm Limited | Software and hardware development and services | England and Wales | 100% |

27 Subsequent events

On 4 April 2016, 365 Agile announced it had entered into a revised licence agreement with Castleton Technology plc, the Group's exclusive reseller within the social housing sector. The revised licence guarantees 365 Agile a minimum licence fee income of £1.8 million payable over the coming three years. In addition, certain of the Group's staff were transferred to Castleton Technology plc and a subcontractor agreement entered into with them.

28 Related parties

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

Key management is considered to comprise only the directors. Key management remuneration paid during the year (including employer's national insurance) was £156,000 (2014: £13,000).

Jill Collighan, a director of 365 Agile Group plc is a director of certain companies within the MXC Capital Limited group ('MXC'). MXC is also a shareholder in the Company.

During the year, the Group paid MXC for consultancy services and corporate finance advice amounting to £324,000 (2014: £nil). In addition, MXC advanced loans to the Group in the aggregate sum of £850,000 (2014: £nil). Fees and interest of £9,000 (2014: £nil) were charged by MXC. These loans were converted into shares in the Company during the year. At 31 December 2015 £165,000 (2014: £nil) was owed to MXC by the Group in respect of the fees and interest on the loan.

During the year, Jonathan Holyhead, a former director of the Company, advanced a loan of £100,000 (2014: £nil) to the Group. Fees and interest of £7,000 (2014: £nil) were charged by Jonathan Holyhead. The loan was converted into shares in the Company during the year. At 31 December 2015 £7,000 (2014: £nil) was outstanding in respect of the fees and interest on the loan.

Jonathan Holyhead was formerly a majority shareholder and director of Documotive Limited. Davinder Sanghera, a shareholder who holds 14.4% of the issued share capital the Company, is a director of Castleton Technologies plc ('Castleton') which acquired 100% of the issued share capital in Documotive Limited on 18 November 2014. MXC Capital, who holds 20.4% of the issued share capital in the Company, is also the largest shareholder in Castleton.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28 Related parties continued

On 18 November 2014, the Group entered into an agreement with Documotive Limited to acquire the element of the software development business that created the 'Agile' product for a consideration of £1,000. On 18 November 2014, the Group entered into a reseller agreement with Documotive Limited (subsequently transferred to Castleton) whereby Documotive Limited was granted an exclusive non-transferrable licence to market and sell the Group's products to its existing client base and by mutual agreement, to certain clients in the sector for a period of three years.

During the year ended 31 December 2015, the Group generated sales income under the reseller agreement of £683,000 (2014: £2,000). At 31 December 2015, the trade debtor balance outstanding from Castleton was £265,000 (2014: £2,000).

On 18 November 2014, 365 Agile entered into a transitional services agreement with Documotive Limited, whereby Documotive Limited (and subsequently Castleton) provides property accommodation and motor vehicles to 365 Agile. At 31 December 2015, costs totalling £77,000 (2014: £13,000) were incurred with Castleton under this agreement. In addition, the Group incurred cost of sales of £153,000 (2014: £nil) in respect of support services provided by Castleton. At 30 April 2015, the trade creditor balance due to Castleton was £2,000 (2014: £13,000).

Company Balance Sheet

As at 31 December 2015

| | Note | 31 December 2015 £000 | 31 December 2014 £000 |
|--|------|-----------------------------|-----------------------------|
| Fixed assets: | | | |
| Investments in subsidiaries | 2 | 9,497 | – |
| Current assets: | | | |
| Debtors | 3 | 2,838 | 237 |
| Cash at bank and in hand | | 674 | 70 |
| Current assets | | 3,512 | 307 |
| Creditors: Amounts falling due within 1 year | 4 | (541) | (255) |
| Net current assets | | 2,971 | 52 |
| Total assets less current liabilities, being net assets | | 12,468 | 52 |
| Capital and reserves: | | | |
| Called up share capital | 7 | 5,674 | 3,734 |
| Share premium account | | 14,036 | 7,441 |
| Merger relief reserve | | 2,310 | 1,150 |
| Capital redemption reserve | | 4,426 | 994 |
| Equity reserve | | 65 | – |
| Profit and loss account | | (14,043) | (13,267) |
| Total shareholders' funds | | 12,468 | 52 |

The notes on pages 43-47 are an integral part of these financial statements. The financial statements set out on pages 41-47 were approved by the Board of Directors and authorised for issue on 5 June 2016 and are signed on its behalf by

C Carver
Director

J Collighan
Director

Company Statement of Changes in Equity

For the year ended 31 December 2015

| | Called up share capital £000 | Share premium account £000 | Merger relief reserve £000 | Capital redemption reserve £000 | Equity reserve £000 | Profit and loss account £000 | Total equity £000 |
|--|---------------------------------|-------------------------------|-------------------------------|------------------------------------|------------------------|---------------------------------|----------------------|
| At 1 January 2014 | 3,474 | 7,490 | 1,150 | 994 | – | (13,184) | (76) |
| Loss for the year and total comprehensive income | – | – | – | – | – | (83) | (83) |
| Transactions with owners: | | | | | | | |
| Share issue | 260 | (49) | – | – | – | – | 211 |
| At 31 December 2014 | 3,734 | 7,441 | 1,150 | 994 | – | (13,267) | 52 |
| Loss for the year and total comprehensive income | – | – | – | – | – | (776) | (776) |
| Transactions with owners: | | | | | | | |
| Share-based payments – staff share scheme | – | – | – | – | 47 | – | 47 |
| Share-based payments – warrants issued | – | – | – | – | 18 | – | 18 |
| Shares cancelled | (3,432) | – | – | 3,432 | – | – | – |
| Shares issued – reverse acquisition | 3,780 | 5,670 | – | – | – | – | 9,450 |
| Shares issued – placing | 920 | 1,380 | – | – | – | – | 2,300 |
| Shares issued – to acquire subsidiary company | 670 | – | 1,160 | – | – | – | 1,830 |
| Shares issued – to former adviser | 2 | 5 | – | – | – | – | 7 |
| Cost of share issues | – | (460) | – | – | – | – | (460) |
| | 1,940 | 6,595 | 1,160 | 3,432 | 65 | – | 13,192 |
| At 31 December 2015 | 5,674 | 14,036 | 2,310 | 4,426 | 65 | (14,043) | 12,468 |

Called up share capital

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

Share premium account

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

Merger relief reserve

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

Capital redemption reserve

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

Equity reserve

The equity reserve is a reserve to recognise those amounts in equity in respect of share-based payments as follows:

Firstly, on 31 July 2015, in acknowledgement of being the Group's corporate finance adviser, warrants over 5% of the Company's current and future issued share capital were issued to MXC Capital Guernsey Limited ('MXC'). At 31 December 2015, MXC held 945,703 share warrants in the Company. The fair value of the warrants is calculated using a two-tiered Black-Scholes option pricing model together with an empirical model, adjusted by a probability weighting to take the likely achievement of performance criteria into account.

Secondly, in September 2015, an employee share scheme was implemented for certain members of staff. The fair value of awards under the scheme have been calculated using a two-tiered Black-Scholes option pricing model together with an empirical model, adjusted by a probability weighting to take the likely achievement of performance criteria into account.

Profit and loss account

Profit and loss account represents profits or losses incurred.

Notes to the Company

Financial Statements

1 Accounting policies (UK GAAP)

365 Agile Group plc has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to disclose the Company profit and loss account. The loss made by the Company in the year was £776,000 (2014: £83,000). The principal accounting policies, which have been applied consistently throughout the year in the preparation of the financial statements are:

(a) Basis of accounting

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

(b) Basis of preparation

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

This is the first year in which the financial statements have been prepared under FRS 102. There are no changes to the Company’s prior year results as a result of this transition.

The financial statements are presented in Sterling (£).

The financial statements of 365 Agile Group plc are drawn up to 31 December 2015 (2014: 31 December 2014).

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

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

The Company intends to apply the above disclosure exemptions to the subsequent annual financial statements for the year ended 31 December 2016 and considers this policy to constitute notification to all shareholders of its intention to do so.

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

(c) Investments in subsidiaries

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

(d) Current tax

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

Notes to the Company Financial Statements

1 Accounting policies (UK GAAP) continued

(e) Share-based payments transactions

Equity-settled share-based payment transactions

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

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

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

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

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

(f) Foreign currencies

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

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

(g) Employees and directors' emoluments

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

(h) Equity financial instruments

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

(i) Debtors

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

(j) Creditors

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

Notes to the Company Financial Statements

1 Accounting policies (UK GAAP) continued

(k) Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- **Estimated valuation of financial instruments**

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

- **Share based payments**

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model for which the assumptions regarding inputs such as share price volatility, performance criteria, dividend yield and warrant life are approved by the directors.

2 Investments in subsidiaries

| | Investments in subsidiaries £000 |
|--------------------------------|---|
| Cost and net book value | |
| At 1 January 2014 | – |
| Cost of acquisitions | 9,497 |
| At 31 December 2015 | 9,497 |

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

3 Debtors

| | 2015 £000 | 2014 £000 |
|--|----------------------|--------------|
| Amounts due from subsidiary undertakings | 2,823 | – |
| Other debtors | 15 | 237 |
| | 2,838 | 237 |

Notes to the Company Financial Statements

4 Creditors: Amounts falling due within one year

| | 2015 £000 | 2014 £000 |
|------------------------|--------------|--------------|
| Convertible loan notes | 321 | – |
| Trade creditors | 123 | 7 |
| Accruals | 97 | 11 |
| Other creditors | – | 237 |
| | 541 | 255 |

On 23 November 2015, the Company issued £0.3 million of 5% coupon convertible loan notes in relation to the acquisition of the entire share capital of Easytherm Limited. Further details are given in note 18 of the consolidated financial statements.

5 Share-based payment plans

See note 23 in the consolidated financial statements.

6 Auditors' remuneration

The Company audit fee is £20,000 (2014: £6,000).

7 Called up share capital

| | 2015 Number | 2014 Number | 2015 £000 | 2014 £000 |
|--|-------------------|----------------|--------------|--------------|
| Allotted, called up and fully paid share capital | | | | |
| Ordinary shares of 30p (2014: 0.003p, 2013: 25p) | | | | |
| 1 January | 10,056,423,466 | 1,389,756,860 | 302 | 42 |
| Share consolidation | (10,055,417,823) | – | – | – |
| Share issues | 17,908,430 | 8,666,666,606 | 5,372 | 260 |
| 31 December | 18,914,073 | 10,056,423,466 | 5,674 | 302 |
| Allotted, called up and fully paid share capital | | | | |
| Deferred shares of 0.247p | | | | |
| 1 January | 1,389,756,800 | 1,389,756,800 | 3,432 | 3,432 |
| Shares repurchased and cancelled | (1,389,756,800) | – | (3,432) | – |
| 31 December | – | 1,389,756,800 | – | 3,432 |
| Total issued share capital | 18,914,073 | 11,446,180,266 | 5,674 | 3,734 |

Ordinary shareholders have the right to attend, vote and speak at meetings, receive dividends, and receive a return on assets in the case of a winding up.

The deferred shares are transferable only with the consent of the Company and will not be admitted to trading on AIM (or any other investment exchange). The holders of the deferred shares do not, by virtue or in respect of their holdings of deferred shares, have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares were repurchased and cancelled by the Company on 20 August 2015 for a total consideration of 1 penny.

Notes to the Company Financial Statements

7 Called up share capital continued

Share issue

During the year the following shares were issued:

| | 2015 Number | 2014 Number |
|---|-------------------|----------------|
| Placing with investors | 3,066,667 | 8,666,666,606 |
| Shares issued as consideration for fees | 10,056 | – |
| Shares issued as consideration for acquisition of 365 Agile Limited | 12,599,999 | – |
| Shares issued as consideration for acquisition of Easytherm Limited | 2,231,708 | – |
| | 17,908,430 | 8,666,666,606 |

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

On 23 November 2015 2,231,708 new Ordinary Shares were issued as consideration for the acquisition of Easytherm Limited.

Warrants

During the year, in acknowledgement of professional services provided as the Group's corporate finance adviser, warrants over 5% of the Company's current and future issued share capital were issued to MXC Capital Guernsey Limited ('MXC'). At 31 December 2015 MXC held 945,703 share warrants in the Company. For further details see note 23 in the consolidated financial statements.

8 Control

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

9 Related party transactions

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

Jill Collighan, a director of 365 Agile Group plc is a director of certain companies within the MXC Capital Limited group ('MXC'). MXC is also a shareholder in the Company.

During the year, the Company paid MXC for consultancy services and corporate finance advice amounting to £262,000 (2014: £nil). At 31 December 2015 £55,000 (2014: £nil) was owed to MXC by the Company.

365 Agile Group plc

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