Registered in England and Wales number 07847321

BIG SOFA TECHNOLOGIES GROUP PLC

Group Annual Report and Financial Statements

Year Ended 31 December 2017

Contents

Big Sofa Technologies Group PLC

("Big Sofa", the "Group" or the "Company")

Final Results for the Year Ended 31 December 2017

STRATEGIC REPORT

Big Sofa (AIM: BST), a fast-growing international video analytics provider to consumer brands and market research agencies, announces results for the twelve months ended 31 December 2017.

FINANCIAL HIGHLIGHTS

- Revenues increased by 72% to £1.3m (2016: £0.8m)
- Gross profit increased by 123% to £845k (2016: £379k)
- Gross margin increased by 30% to 65% (2016: 50%)
- Loss for the year reduced by 8% to £3.9m (2016: £4.3m)
- Balance sheet strengthened through £1.5m share placing in September 2017 at 18.5p per share, a 9% premium to the Admission price of 17p

OPERATIONAL HIGHLIGHTS

- Secured significant trading partnerships which delivered material revenues in the year, including:
  - A three-year Master Service Agreement with Ipsos which continues to deliver strong revenue growth and formalised the start of a partnership between the two companies culminating in their investment in the company in March 2018
  - Appointed global partner to Procter & Gamble (P&G) to facilitate the acquisition and analysis of both new and existing video content on projects across the global business
- Forged new direct client relationships with other blue-chip global multinationals, including Pernod-Ricard, Nestlé, McDonald's, SC Johnson, Target and 84.51°
- Expanded global presence to include US hubs in Cincinnati and Chicago
- Acquired dedicated server storage capacity and processing capability in the US, Russia and Europe enabling us to meet the high levels of data security required by our global clients
- Further developed technology to provide easier ingestion of video content, faster processing and greater ability to load, protect and access large volumes of video content; and to provide enhanced analytics capabilities

POST YEAR-END HIGHLIGHTS

- £3m strategic investment in Big Sofa, by Ipsos, one of our largest customers
- Appointed Ms Laurence Stoclet, Ipsos Deputy CEO and Group CFO, as a director of the Company
- Further developed trading relationship with Ipsos, with project work commissioned from additional divisions and offices within the group
  - Ipsos has appointed a senior 'Single Point of Contact' – a global ambassador for Big Sofa within Ipsos – to facilitate the commercial partnership
- Entered into long-term subscription agreements with 84.51°, Target and International Flavours and Fragrances (IFF)
- Undertaken material repeat project work with P&G and McDonald's

- Forged new client relationships with Johnson & Johnson, Dyson and BCG Digital for whom we are undertaking pilot project work

- Continued investment in the Company's technology to enable behavioural observation at scale:
  - Capable of sourcing, managing and ingesting video from homes remotely
  - Retained ISO27001 status and became GDPR-compliant at the end of Q1
  - Expanded our dedicated server-storage capability in Europe to service European clients and prepare for any adverse impact of Brexit on data transfer

- Eliminated convertible loan through part conversion and repayment of the Eridge Capital Limited convertible loan made on 31 May 2018, with Eridge electing to convert £100,000 of the convertible loan plus rolled up interest into 588,235 ordinary shares and Big Sofa repaying the full outstanding balance of the convertible loan plus rolled up interest, totalling £639,212

- Adam Reynolds, Non-executive Director, steps down from the board

Simon Lidington, Chief Executive Officer of Big Sofa, commented:

"Video is gradually emerging as a key medium for capturing real human behaviour in the multi-billion dollar consumer research industry. This is evident in the work we are already undertaking for household brands and leading global research organisations. We started 2017 with just a single MSA in place with Unilever and by the end of the year we had secured a place on the global rosters of multinationals such as P&G, McDonald's, 84.51° and Target, in addition to signing a global MSA with Ipsos.

"The strategic steps we have taken in 2017 and more recently in 2018 to forge relationships with large global organisations, successfully securing a £3 million investment from Ipsos and investing further in our technology platform, leave us well-placed to capitalise on the industry's growing adoption of video research techniques."

CHAIRMAN'S STATEMENT

I am pleased to report that Big Sofa delivered a 72% increase in revenues in 2017 to approximately £1.3 million. It was, however, the transformation of Big Sofa's customer base that defined our year. For a company of Big Sofa's current size to have embedded relationships with multiple global, blue-chip organisations, including Ipsos, Procter & Gamble (P&G) and 84.51°, and to have converted these relationships into revenues, is a major achievement. It is also further evidence that video is now emerging as 'the' disruptive medium for effective consumer insight in a multi-billion-dollar global market. I believe we are now well placed to leverage our customers - and our customers' customers – growing budgets for video observation strategies in market research.

Our work with these and other large global organisations has led to a surge in the number of proposals written. Brands for whom Big Sofa undertook work in 2017 include SC Johnson, McDonald's, Zurich, Pepsi Cola, Dyson and International Flavours and Fragrances, amongst others.

Notable achievements during the year include the signing of a global three-year Master Service Agreement with Ipsos in April 2017 (subsequently leading to their investment in the Company), which sets out the terms upon which the entire market research organisation and its affiliates are encouraged to co-brand with Big Sofa to deliver video analytics technology and services. In addition, Big Sofa became an approved supplier to P&G on two of their core rosters: global technology and research, with Big Sofa able to undertake projects that facilitate the acquisition and analysis of both new and existing video content for their organisation worldwide.

By securing these global agreements, and putting in place a commercial framework upon which to mutually engage, Big Sofa is now focusing on maximising the opportunities which these, and other, relationships provide.

Our strategy of cultivating relationships with multinational organisations with the capacity to channel significant volumes of business to Big Sofa in the near term culminated after the year-end, in March 2018, with the investment by Ipsos in Big Sofa. Following our collaboration on over 150 projects, Ipsos has seen first-hand the value that Big Sofa's video observation and analytics technology delivers. We were delighted that they decided to invest in our business; to help us develop faster as an innovative technology company and to enable us to add additional capacity to take advantage of opportunities to accelerate our revenue growth.

Investment in technology and product development during 2017 was another important feature of the year. This culminated in the productisation of three clear client service offerings which the Company is deploying: Video Manager, Video Stories and Video Observer - further details of which are included in the operational review.

The Company also invested significantly in its US presence in the year, to include strategically located hubs in Cincinnati and Chicago. The US contributed 72% of all commercial opportunities in 2017. We believe our US offering is now well positioned to generate material revenue growth from corporate clients whose global headquarters are in the US.

Board changes

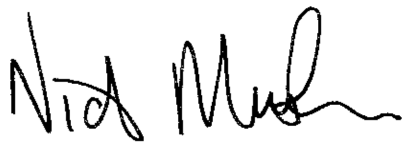
We were delighted to welcome Ms Laurence Stoclet, the Deputy Chief Executive Officer, Group Chief Financial Officer and Support Functions Director of Ipsos, to Big Sofa's board as a non-executive director in March 2018, following Ipsos' investment in the Company.

I should also like to place on record the board's thanks to Adam Reynolds, who has resigned as a director of the Company effective from 4 June 2018. Adam's capital markets experience has been enormously valuable to Big Sofa, both prior to, and in the year following, our AIM Admission and we are grateful for the role he has played during this important phase.

Outlook

Big Sofa is pioneering research methods with its technology that present vast opportunities for the consumer insight sector. It is apparent that large research agencies are seeking innovative ways to deliver research that provides valuable consumer insight through observational video techniques. We believe Ipsos' investment in Big Sofa as a technology business recognises the significant impact that video is having as an emerging method within this industry and the potential that it has to transform additional industry verticals.

Big Sofa has a tremendous and enviable customer base of global organisations and brands which it has secured by demonstrating the power of video analytics for market research. It is clear that video is poised to become a huge part of the consumer insight industry and therefore I believe Big Sofa is exceptionally well placed to capitalise on growing industry spend on observational research strategies which demand Big Sofa's expertise and analytics technology.



Nick Mustoe
Non-executive Chairman
1 June 2018

OPERATIONAL REVIEW

Introduction

2017 was a year of significant progress for Big Sofa, achieving revenues of approximately £1.3 million, representing a 72% increase over the prior year, underpinned by the transformation of the Company's client base. This was realised as we continued to grow the opportunity that our technology represents to enable behavioural observation projects for global enterprises at scale.

Our focus during the year continued to be on broadening the Company's client roster to secure global partnerships and agreements that offer material revenue streams. This strategy has come into fruition in 2017, as we secured a significant agreement with P&G, and an MSA with Ipsos, as well as undertaking a number of projects directly with global multinationals.

With prospective clients increasingly appreciating the potential that Big Sofa's technology can deliver in analysing and interpreting real consumer behaviour, key to securing these agreements is our ability to demonstrate the scalability of our technology and the robustness of our platform when deployed globally. As the volume and size of the video content on Big Sofa's platform grew significantly within the year, so too did the number of users and the sophistication of the projects. In response to this, we proactively developed and invested in our technology, in particular, in the technical architecture, security, stability and performance of the platform to ensure its optimisation and to meet the high standards required of it by our large multinational clients.

Finally, as announced in March 2018, Ipsos agreed to invest £3 million in Big Sofa, at a price of 18.5p per share, representing 20% of the enlarged group. We also appointed Ms Laurence Stoclet as a non-executive director of the Company. Ms Stoclet currently serves as the Deputy Chief Executive Officer, Group Chief Financial Officer and Support Functions Director at Ipsos.

We are extremely proud to have received this investment from Ipsos and believe it will help us develop faster as an innovative technology business and enable the Company to add additional capacity to take advantage of the opportunities to accelerate our rate of revenue growth.

Strategy

In the second half of the year, Big Sofa's strategy continued to focus on securing long-term partnerships with global customers with whom we can demonstrate our ability to deliver deeper consumer insight at scale and consequently generate material income.

Whilst the sales cycle associated with securing agreements with customers of real size and scale is longer, the second half of the year saw a significant uplift in revenues of 60% from H1 to H2 2017, demonstrating our ability to cultivate long-term relationships and in turn secure commissioned work from these organisations.

Investment in the Company's IP and development of our video analytics platform remained a core focus in the year, in order to ensure its robustness and to add functionality in response to customer demand. Big Sofa's technology was central to winning global clients with increasingly complex and innovative requirements. Continued development of our technology is crucial if customers are to maximise the value that Big Sofa's video-based methods and analytical technology can deliver.

New business

During the course of the year, Big Sofa's client base was transformed as global household brands and market research agencies increasingly became aware of the power of our technology to turn unstructured observational video into quantifiable data. Big Sofa is increasingly undertaking larger behavioural observation projects around the world.

In April 2017, we secured a global three-year Master Service Agreement ("MSA") with Ipsos which set out the terms upon which the group and its affiliates can utilise Big Sofa to deliver video analytics and technology. We continue to see strong revenue growth from this partnership, with Big Sofa undertaking 147 projects with Ipsos since July 2015 to May 2018.

In addition, Ipsos has also appointed a senior 'Single Point of Contact' – a global ambassador for Big Sofa within Ipsos to develop and further facilitate our commercial partnership and encourage the utilisation and deployment of Big Sofa's platform. In 2018, this trading relationship has continued to expand, with project work commissioned from additional divisions and office locations within the group.

We are seeing significant momentum in our relationship with Ipsos as it continues to develop and expand, but, owing to Ipsos' significant scale, this momentum will develop into more material financial gains in the medium to long term as we expect revenues generated from this partnership to accelerate strongly in H2 2018.

In June 2017, Big Sofa became an approved supplier to P&G on their global technology and research rosters, enabling P&G to undertake projects that facilitate the acquisition and analysis of both new and existing video content worldwide and this partnership continued to develop over the year. Additionally, P&G and Big Sofa continue to work closely together to develop new projects for the capture and analysis of video.

In addition, 2017 saw Big Sofa develop new direct client relationships with multinationals including Pernod-Ricard, Nestlé, McDonald's, SC Johnson, Target and 84.51°, with work undertaken for over 40 clients in the year.

Post year-end, Big Sofa gained further momentum, securing long-term subscription agreements with 84.51°, Target and International Flavours and Fragrances; as well as undertaking pilot work with J&J, Dyson and BCG Digital, which we anticipate will translate into more material revenue streams in due course.

Our ability to continue to deliver against the requirements of large multinational clients is testament to the excellent progress we have made over the last 12 months and we anticipate that the partnerships we have established in 2017 and the beginning of 2018 have the potential to translate into material revenue in the second half of 2018 and beyond.

Product development

Big Sofa's video analytics platform is central to our growth strategy and as our technology is increasingly embedded with knowledge management providers and strategic partners, we are now benefitting from added exposure to the technical intricacies of clients' eco-systems. During 2017, we continued to invest in our technology to ensure both existing and prospective clients are able to maximise the value they are able to unlock from their visual data.

This focus on technology investment has enabled easier ingestion of video content, faster processing and greater ability to load, protect and access large volumes of video content anywhere in the world. We have made substantial improvements to the robustness, security and scalability of our core analytics platform, focusing on the following key areas:

- continuing to enhance the power of our platform to turn unstructured video into quantifiable and exportable visual data;
- maximising automation throughout the video management and analysis process;
- augmenting the platform to enable the capture of consumer behaviour in-situ and analyse this behaviour in both detailed and aggregate ways, with the capability of sourcing, managing and ingesting videos from homes remotely;
- scaling of our behavioural analytics capability through the use of deeper automation to filter video by relevance at the point of capture, enabling clients to capture and analyse authentic unmediated behaviour globally;
- strengthening the platform's ability to manage highly complex media from multiple primary or secondary sources, including social;
- improving platform speed, downloads and sharing capabilities to enhance usability of the platform, facilitating a stable, frictionless environment for corporate users; and
- through Big Sofa's ISO27001 certification, the Company was already well-positioned to be GDPR-compliant and was fully GDPR-compliant by the end of Q1 2018.

In addition to advancing Big Sofa's IP, we also focused on the productisation of our services, developing three clear product offerings during 2017 and in 2018 to-date, which are:

- Video Manager: a SaaS-based model enabling clients to upload, store and manage their video data using Big Sofa's platform

- Video Stories: a service for the interpretation of video data within the platform utilising tagging and analysing text, tone of voice, emotional response, sentiment and object recognition

- Video Observer: a solution for the capture of consumer behaviour using a range of camera devices and methods which can then be uploaded for detailed tagging and analysis on the platform

We anticipate that, as we increasingly introduce these services to both existing and potential clients during the course of 2018, this will translate into increased revenue generation and enhanced earnings visibility for the future.

International presence

During the year, we expanded our global presence to include US hubs in Cincinnati and Chicago, which are in close proximity to the global headquarters of P&G, 84.51°, McDonald's, SC Johnson and Target. Both of these cities are also locations of the US regional offices for Ipsos and provide us with a platform upon which to build our client base in the US and service our existing customers.

In addition, we further invested in the growth of the Company, with the total number of employees at 31 December 2017 standing at 35, as a result of the increasing levels of work we continue to secure. We have also made significant progress in the development of a freelance network of content analysts in order to service project-based work from our international customer base.

Outlook

We have made a strong start to the year by continuing to cultivate relationships with large multinational clients and by securing a strategically important investment in the business. We continue to see increasing growth in the utilisation of video-based consumer insight methods globally. This, coupled with our ability to enable clients to manage and effectively analyse previously inaccessible video data at scale, has begun to deliver larger projects from a growing number of global brands and agencies. We expect this momentum to continue.

We continue to invest in the technology and products essential in scaling our business and we are confident that the customers and partnerships we are winning and developing will translate into sustained and significant growth in the medium to long term.

Simon Lidington
Chief Executive Officer
1 June 2018

Financial Review

	FY 2017	FY 2016	Change
	£'000s	£'000s	%
Revenues	1,301	757	72%
Gross Profit	845	379	123%
Gross Margin	65%	50%	30%
Operating expenses	4,900	4,676	5%
Loss for the year	(3,923)	(4,278)	8%

2017 was a year of growth and development for the business. The funds raised at the time of the Company's admission to AIM, and the subsequent fundraising in September 2017 (which was at a premium to the AIM admission price) allowed the Group to invest in both our technology and people in the UK and US, enabling Big Sofa to service our growing global blue-chip client base.

Our stated strategy to generate revenue has been to identify and target a number of global brand clients which each have the ability to deliver multi-million pounds of annual revenues in the medium term. During the year, revenues grew to £1.3m, a 72% increase on the prior year. This was derived from a small number of core clients materially increasing their year-on-year commitments; with a large minority of the revenue secured from a client base that we had not worked with previously. During the year we introduced Big Sofa to these new clients, educated them about the power of video analytics and our technology and completed a procurement process, which resulted in commissions for revenue generating work. For both our existing and our new clients, the revenue potential remains significant.

Gross profit margin for the year was 65%, representing a 30% increase over the prior year from 50%, which is testament to the increasing adoption of Big Sofa's technology by established clients with significant budgets, and the scale in which our technology is being deployed globally.

Operating expenses were 5% higher in 2017 versus the prior year, but 53% higher when one-off listing costs from the prior year are taken into account. This is as a result of the continued investment being made in the Company's technology and personnel. During the year, we expanded our business development function in key US locations and doubled our research and development team in the UK.

The Group's cashflow reflects this investment in both staff and technology as outlined above. The Group used funds from the AIM listing and the further fundraising of £1.5m in September 2017 to invest in our technology, enabling us to service the clients that we believe will generate significant value for Big Sofa in the medium term. Net cash outflow from operating activities (including staff costs) was £3m (2016: £2.8m) and investment in the platform was £0.6m, up 62% on the prior year. The potential of the Group was realised by Ipsos who, after engaging with Big Sofa on projects for over two years, made a strategic investment of £3m in the Company after the period-end, in March 2018, which bolstered the balance sheet.

We continue to maintain a tight control of expenses and anticipate these will increase moderately as we continue to execute on our growth strategy; but we also expect revenues and gross profit to increase significantly.

The business made huge progress during 2017. We now have a global reach, a scalable product, an established team, and a high-quality client-base delivering repeat revenues. Big Sofa is well-positioned for continued future growth.

Joe MacCarthy

Joe MacCarthy
Chief Financial Officer
1 June 2018

PRINCIPAL RISKS AND UNCERTAINTIES

Market Risks	Impact	Mitigation
Brexit	New regulations could add complexity and delays to operations. Currency fluctuations could increase costs and affect profitability.	Our regulatory advisers keep the Company up to date on recent developments. The main regulatory directive from the EU that may affect our business is the General Data Protection Regulation (GDPR). By adhering to the higher threshold of the GDPR and the UK data protection legislation, we anticipate that we will remain compliant across the territories we operate in. Currency fluctuations will impact both sales and costs, but we are naturally hedged against currency fluctuations – particularly in relation to the USD – as much of our revenue and some of our direct costs are in USD. Our product offering is not currently particularly price-sensitive. Substantial cost increases will be passed on.
Technology	The Group's platform is currently unique. Rapid technological advances could see competitor products being launched.	The Group has a product development roadmap in place to improve its core technology as well as for a wider product portfolio that includes additional innovative solutions for the Company's targeted customer base.

Operational Risks	Impact	Mitigation
Dependence on key personnel	The Group is in its early stages of development when reliance on a few key people has an inherent vulnerability.	The Group carries out benchmark exercises to ensure strong remuneration. The Group also offers an environment for excellent personal development in an exciting segment of the industry.
Hosting and Storage	Strict rules govern Personally Identifiable Information and any failure may adversely affect the Group's prospects.	The Group uses leading suppliers of hosting and storage platforms.

Financial Risks	Impact	Mitigation
Future funding requirements	If the Group's rate of growth is insufficient to reach cash breakeven, the company may need to seek additional funding to meet the company's strategic goals.	Management regularly monitor the Company's performance against budget and its overall cash position. Since Admission to AIM the directors have been satisfied that the company has delivered against its strategic goals.

Legal Risks	Impact	Mitigation
Intellectual Property litigation	As part of our due diligence process we carried out extensive work on our freedom to operate.	The Group engages with IP specialists to ensure we have a strong position.
	Any claim brought against us would detract the Company from its business.	To our knowledge we do not infringe on any patents.

On behalf of the Board

Joe MacCarthy
Chief Financial Officer
1 June 2018

GOVERNANCE

BOARD OF DIRECTORS

Nick Mustoe, Non-executive Chairman
Nicholas started his career in 1981 working for London advertising agencies Foote Cone and Belding (three years) followed by Lowe Howard Spink (nine years). In this time he worked across a wide range of clients including Vauxhall Cars, Heineken, Whitbread, Tesco, Reebok and Hanson Group companies. In 1993, Nicholas started his own agency, Mustoe Merriman Levy (Mustoes), which he ran for 15 years, with a brief period under the ownership of Japanese multinational Hakuhodo. During this time the agency managed client accounts including Kia Cars, Lloyds Pharmacy, Doctor Marten, Bauer Publishing, Coca Cola and Unilever. In 2008, Mustoes merged with a leading PR agency Geronimo to form Kindred, the first fully integrated PR and advertising agency. Nicholas subsequently led an MBO of Kindred in 2010 and remains Chief Executive and principal shareholder.

Aside from his media career, Nicholas has been involved in supporting many start-up companies, starting with funding Hall and Partners (research) in 1992, Caravell (industrial refrigeration MBO), ABC Connection (on-line publishing and software) and Sosandar (fashion label) amongst others. Currently, Nicholas has a number of non-executive roles, including acting as Chairman of Starlight Children's Foundation and as a director of both Hub Capital Partners Limited and AIM-quoted Premaitha Health PLC.

Paul Clark, Non-executive Director
Paul has more than 40 years of experience in the IT sector, beginning in the 1970s as a programmer and analyst. He then worked extensively in the technology product and services sector.

Paul specialises in start-up or recovery of underperforming/stalled operations. His most recent role involved the turnaround (and eventual sale) of a struggling software product company, Invigia Ltd, into a market dominant, highly profitable, cash generative organisation. Prior to this, he enjoyed considerable success building and re-energising both consultancy and product businesses serving a broad range of sectors in both the commercial and government arena.

He is now engaged in a portfolio of advisory roles to a range of fast growth businesses, both as non-executive director and consultant. Paul is also currently a non-executive director of Cyber Challenge Ventures Ltd, a not-for-profit organisation, whose purpose is to identify and career signpost untapped Cyber Security talent.

Steven Metcalfe, Non-executive Director
Steven is a former stockbroker with more than 28 years' experience in the financial industry. In 2005, as Head of UK Equities at Hichens Harrison, he was involved in its management buyout and then subsequent sale to Religare Capital Markets. For the last seven years, he has been involved with institutions, hedge funds and HNWs within the regulated arena. Since leaving Investment Banking in mid-2016, he is now using his substantial background and history within the financial and corporate world, setting up a consultancy business that advises SMEs on finance, strategy and growth within their chosen sector.

Adam Reynolds, Non-executive Director
Adam is a former stockbroker with over 35 years' experience within the UK financial services sector. In 2000, Adam founded Hansard Group PLC which was admitted to trading on AIM in 2000.

Adam is currently a director of several AIM traded companies: he is a non-executive director of EKF Diagnostics Holdings PLC, a point-of-care, central laboratory, and molecular diagnostics company and Premaitha Health PLC, a company involved in the development of prenatal screening solutions. He is also a director of a number of private companies.

Laurence Stoclet, Non-executive Director
Laurence is a qualified accountant with more than two decades of experience in the market research industry. Laurence currently serves as the Deputy Chief Executive Officer and Group Chief Financial Officer of Ipsos SA; she also oversees Ipsos' legal and technology functions. Laurence joined Ipsos as CFO in 1998 and has overseen Ipsos' growth - both organic and by acquisition - since then.

Simon Lidington, Chief Executive Officer
Over the last 35 years, Simon has worked across many sectors and built enduring relationships at a senior level with many blue chip clients including Audi, Regus, QVC, Volkswagen Group, Prodrive, B.A.R, Coca Cola, Vauxhall Motors, Barclays, VW Financial Services,

NatWest, Alliance & Leicester, Nokia, the Office of Government Commerce, Business in the Community, Royal Mail Wholesale, Amex and Citroen UK.

Simon has worked extensively as a management consultant with CEOs, boards and management teams, as well as serving as CEO at Research International for 18 months before setting up Big Sofa with Matt Lynch.

Simon has an Honours BA in Sociology and a Masters in Inter-organisational Relations both from Exeter University, and an Honorary Doctorate from Middlesex University. He is a Fellow of the Market Research Society, a Fellow of the RSA, and sat on the Advisory Council for the Economic & Social Research Council's 'Cultures of Consumption' Programme between 2003 and 2008.

Matt Lynch, Chief Strategy Officer
Matt began his career in marketing and category management after graduating from Oxford University. He went on to develop his advisory experience across a range of research and consulting roles, before completing a Masters in Organisational Behaviour.

Matt is experienced in leading engagements for blue chip organisations (Procter and Gamble, Coca Cola, Unilever, BP, Barclays); working alongside global agencies; and collaborating with technology partners of all sizes.

His role at Big Sofa is to lead the Company's strategic direction and to ensure that the business constantly innovates to deliver maximum client value.

Joe MacCarthy ACA, Chief Financial Officer
Joe started his career with PricewaterhouseCoopers and for the past ten years has been working in investment management, with a particular focus on start-ups and smaller company investing. He has been responsible for managing more than £100 million of investments across a variety of sectors including media and infrastructure. Joe holds a degree in Economics from Durham University, is a Chartered Accountant and also holds a Diploma in Corporate Finance from the Institute of Chartered Accountants in England and Wales. Joe joined Big Sofa as CFO in 2016.

CORPORATE GOVERNANCE REPORT

Introduction

The Company, whose shares trade on the AIM segment of the London Stock Exchange, is not required to comply with the UK Corporate Governance Code. The Directors fully support high standards of corporate governance and have chosen to make the following disclosures which are deemed to be the most relevant, given the nature, size and scope of the Company's activities. The information in this Corporate Governance Report is not subject to audit.

The Company is subject to the UK City Code on Takeovers and Mergers.

The Board and responsibilities

The Board currently consists of a non-executive chairman, a chief executive officer, three executive directors and three non-executive directors. There is a clear division of responsibilities between the chairman and the executive officers and the Board considers the non-executive directors to be independent of management. The composition of the board ensures that no single individual or group of individuals is able to dominate the decision-making process. Details of the individual directors and their biographies are set out on page 12 to 13.

The directors evaluate the balance of skills, knowledge and experience on the board when defining the role and capabilities required for new appointments.

The board is responsible for management of the business, setting the strategic direction and policies. The board meets regularly to attend to any issues which require the attention of the board and oversees the financial position of the Company monitoring the business and affairs 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 Big Sofa Technologies Group PLC at all times. The board will also address issues relating to internal control and the Company's approach to risk management.

The day-to-day management of the Company's business is delegated to the Chief Executive Officer and Chief Financial Officer of the Company.

During the year under review, the Board held eight scheduled meetings.

Audit Committee

The committee is responsible for making recommendations to the board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Group is properly monitored and reported. In addition, the Audit Committee receives and reviews reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of Big Sofa Technologies Group PLC. The Audit Committee, which comprises Adam Reynolds, Steven Metcalfe and Nicholas Mustoe, met twice during the year under review.

The Nomination Committee

The Nomination Committee, which comprises Adam Reynolds, Steven Metcalfe and Paul Clark will meet when required. The committee is responsible for identifying and nominating members of the Board, recommending Directors to be appointed to each committee of the board, and the chair of each such committee. The Nomination Committee will also arrange for evaluation of the board. The Nomination Committee comprises Adam Reynolds, Steven Metcalfe and Paul Clark. During the year under review, there was no cause for them to meet.

The Remuneration Committee

The committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of Big Sofa Technologies Group PLC. The Remuneration Committee, which comprises Nicholas Mustoe, Adam Reynolds and Paul Clark, met twice during the year under review.

Share dealing code

Big Sofa Technologies Group PLC has adopted and operates a share dealing code governing the share dealings of the directors of the Company and applicable employees with a view to ensuring compliance with the AIM Rules.

Investor relations

The Annual General Meeting is the principal forum for dialogue with shareholders. Updates on the progress of the business are regularly published on the Group's website. The Company also has a dedicated electronic communication line specifically for shareholders' enquiries.

On behalf of the Board

Joe MacCarthy
Chief Financial Officer
1 June 2018

DIRECTORS' REPORT

The directors present their report and the audited financial statements for Big Sofa Technologies Group PLC for the year ended 31 December 2017.

The preparation of financial statements is in compliance with IFRS as adopted by the European Union. The Group financial statements consolidate the financial statements of the Company and its subsidiaries under reverse accounting principles. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

Principal Activities

Big Sofa Technologies Group PLC is a group management company. It is the parent company of Big Sofa Technologies Limited, a UK-based company, and Big Sofa Technologies Inc., a US-based company.

The principal activity of the Group is to provide video analytics to both brand owners and market research agencies.

A detailed review of the business activities of the Group is contained in the Strategic Report.

Business review and future developments

The review of the period's operations, future developments and key risks is contained in the Strategic Report. The Directors do not recommend a final ordinary dividend for the period (2016: £nil).

Directors and directors' interests

The directors who held office during the period and subsequently were as follows:

Adam Reynolds (resigned 1 June 2018)
Joe MacCarthy
Paul Clark
Simon Lidington
Matt Lynch
Steven Metcalfe
Nick Mustoe
Laurence Stoclet (appointed 9 March 2018)

With regard to the appointment and replacement of Directors, the Company is governed by its articles of association, the Companies Act and related legislation. The articles themselves may be amended by special resolution of the shareholders.

Directors' interests

The Directors held the following beneficial interests in the shares, share options and warrants of Big Sofa Technologies Group PLC at the date of this report:

	Ordinary shares of £0.03 each	Issued share capital %
Adam Reynolds	1,430,403	1.74%
Joe MacCarthy	70,588	0.09%
Paul Clark	2,486,585	3.03%
Simon Lidington	10,286,026	12.54%
Matt Lynch	4,121,470	5.03%
Steven Metcalfe	1,388,737	1.69%
Nick Mustoe	2,775,116	3.38%

Directors' share options and warrants

The directors' share options and warrants who held office during the year are as follows:

	Options/ Warrants at 1 January 2016	Granted	Options at 31 December 2017	Date of Grant	Exercise Price	Earliest & latest date of exercise
Adam Reynolds	1,064,120	-	1,064,120	19/12/16	£0.17	19/12/17 -19/12/26
Joe MacCarthy	1,470,588	-	1,470,588	19/12/16	£0.17	19/12/17 -19/12/26
Paul Clark	-	-	-	-	-	-
Simon Lidington	104,566	-	104,566	19/12/16	£0.17	19/12/17 -19/12/26
Matt Lynch	104,566	-	104,566	19/12/16	£0.17	19/12/17 -19/12/26
Steven Metcalfe	1,064,120	-	1,064,120	19/12/16	£0.17	19/12/17 -19/12/26
Nick Mustoe	1,276,944	-	1,276,944	19/12/16	£0.17	19/12/17 -19/12/26

The remuneration of the directors in Big Sofa Technologies Group PLC who held office during the year was as follows:

	Salaries/fees £	Share-based payments £	Pension contributions £	Other benefits	31 December 2017 £	31 December 2016 £
Adam Reynolds	60,800	41,536	-	-	102,336	77,563
Joe MacCarthy	103,396	57,402	20,426	1,392	182,616	37,391
Paul Clark	30,000	-	-	-	30,000	24,998
Simon Lidington	154,980	4,082	614	4,493	164,169	144,739
Matt Lynch	146,529	4,082	614	1,773	152,998	133,035
Steven Metcalfe	60,800	41,536	-	-	102,336	35,063
Nick Mustoe	30,000	49,843	-	-	79,843	35,409
Stephen Bourne	-	-	-	-	-	35,000
	586,505	198,481	21,654	7,658	814,298	523,198

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Post Balance Sheet Events

There are no material post balance sheet events to disclose.

Research and Development Activities

Big Sofa Technologies Group continues to invest in research and development activities. Big Sofa Technologies Group is focused on developing and enhancing the existing video platform and product portfolio that will complement and expand the product offering.

The total research and development expenditure for the year was £824,000 of which £560,000 capitalised and £264,000 (excluding amortisation charge) was expensed in the income statement. This expenditure was incurred on product development and enhancement. Further details of the research and development activities are disclosed in the Strategic Report.

Financial Risk management

Details of financial risk management are provided in note 3 to the accounts.

Political and charitable contributions

The Group made no charitable or political contributions during the period.

Going Concern

The Directors, having made appropriate enquiries, consider that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Substantial shareholdings

The Company has been advised of the following interests in more than 3% of its ordinary share capital as at 31 December 2017:

	%
Simon Lidington	15.79
Matt Lynch	6.33
Nick Mustoe	4.14
Paul Clark	3.70

Statement of Disclosure to the Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditor's appointment

Jeffreys Henry LLP will be proposed for re-appointment as auditors at the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with Company law which requires the directors to prepare group and parent company financial statements for each financial year. Under that law the Directors have elected to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and elected to prepare the parent company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 101 Reduced Disclosure Framework). 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 of the profit or loss of the Group and the parent company for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU or UK Accounting Standards have been followed, subject to any material departures disclosed and explained; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also generally responsible for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the website is accessible in many countries and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Each of the directors confirms that, to the best of their knowledge, the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Joe MacCarthy

Joe MacCarthy
Chief Financial Officer
1 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BIG SOFA TECHNOLOGIES GROUP PLC

Opinion

We have audited the financial statements of Big Sofa Technologies Group PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

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, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 2017 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.
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of capitalised development costs During the year the Company capitalised costs of £559,889 (31 December 2016: £357,573) in relation to the platform and process improvements. These capitalised costs are being amortised over five years. The Directors have assessed whether the costs meet the criteria for capitalisation and whether there are any indicators of impairment. The adjusted consolidated profit before tax, which is considered by management to be a key metric and is directly impacted by the amount of costs capitalised and the amounts included in the reconciliation of the adjusted income measures. We focused on whether the costs capitalised met the criteria for capitalisation and whether, those costs were classified as on-going projects or process improvements costs.	We considered whether the nature of the costs met the criteria for the costs to be capitalised. We vouched a sample of the costs capitalised that relate to specific projects and created add on functions with the system. We agreed a sample of the internal staff costs capitalised to supporting calculations, time records and payroll calculations. In both cases, we considered whether the nature of the costs met the criteria for the costs to be capitalised. We considered whether the Directors' policy for the treatment of such costs was reasonable and, on a sample basis, assessed whether the costs included in the reconciliation were in line with the Directors' policy. We found no material exceptions in our testing.
Intercompany loan recoverability and valuation The Company had long term loans of £4,306,229 the year ended 31 December 2017. (31 December 2016: £1,923,718) The Directors have confirmed all loans are repayable and that interest is charged at a rate of 8% per annum. We focused on whether the loan should be held as a non-current or current asset also based on the subsidiary's trading performance.	The net assets of the main subsidiary exceeds that of the loan value, supported by robust performance with no going concern issues. The analysis work undertaken by the directors shows that the Group is expected to remain cash generative and profitable based on their technology. We have understood and assessed the methodology used by the directors in this analysis and determined it to be reasonable. We have reviewed management's cash flow forecasts, budgets and agreed sales orders to ascertain if the loans should be classified as long term and whether they are recoverable within 12 months.
Correct calculation of options and warrants The share option charge for the year is £303,850 (31 December 2016: £80,754). All share options have been reviewed for the purpose of calculating an appropriate share-based payment charge. The Black-Scholes model has been used to value the options at the grant date. Options have estimated vesting periods based on management's assumptions and the share based payment is spread evenly over this period from the date of grant. There is therefore judgment in the valuation of share-based payments, owing to the estimation uncertainty that exists around future vesting periods.	We have understood and assessed the methodology utilised to estimate the Company's share-based payment charge calculations and checked that the calculation of the provision was mathematically accurate. We found no material exceptions in our testing. We have audited the share based payment by reviewing the key inputs used in the model for reasonableness. The key input most subjective is that of expected future volatility. We have reviewed management's calculation of the expected volatility of 60% based on similar tech companies and determined the estimation to be reasonable.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£158,000 (31 December 2016: £130,000).	£69,000 (31 December 2016: £95,000).
How we determined it	Based on the average of 10% of loss before tax, 2.5% of gross assets and 2.5% of Revenue.	Based on the average of 10% of profit before tax and 1% of gross assets.
Rationale for benchmark applied	We believe that profit before tax is a primary measure used by shareholders in assessing the performance of the Group whilst gross asset values and revenue are a representation of the size of the Group; both are generally accepted auditing benchmarks.	We believe that profit before tax is a primary measure used by shareholders in assessing the performance of the Company whilst gross asset values are a representation of the size of the Company; both are generally accepted auditing benchmarks.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £69,000 and £115,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £7,900 (Group audit) (31 December 2016: £6,500) and £3,450 (Company audit) (31 December 2016: £2,375) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 3 reporting units, comprising the Group's operating businesses and management companies.

We performed audits of the complete financial information of Big Sofa Technologies Group PLC and Big Sofa Technologies Limited reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 72% of the Group's absolute loss before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at one further reporting unit, based in USA.

The Group engagement team performed all audit procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 (and the part of the directors' remuneration report to be audited) 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

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.

Other matters which we are required to address

We were appointed by the Company at the Annual General Meeting on 25 July 2017 to audit the financial statements for the year ending 31 December 2017. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2016 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

In addition to the audit, the firm provides tax compliance services to Big Sofa Technologies Group PLC and its subsidiary, Big Sofa Technologies Limited.

Our audit opinion is consistent with the additional report to the audit committee.

Sanjay Parmar (Senior Statutory Auditor)

For and on behalf of Jeffreys Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London EC1V 9EE

1 June 2018

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue		1,301	757
Cost of sales		(456)	(378)
Gross profit		845	379
Deemed cost of reverse takeover		-	(705)
AIM Listing costs		-	(785)
Administrative expenses		(4,900)	(3,186)
Operating loss	4	**(4,055)**	**(4,297)**
Finance expenses	6	(71)	(123)
Loss before income tax		**(4,126)**	**(4,420)**
Tax credit	7	203	142
Loss for the year		**(3,923)**	**(4,278)**
Attributable to owners of the parent:		**(3,923)**	**(4,278)**
Loss per ordinary share in respect of continuing activities - basic and diluted (pence)	8	(6.62)p	(82.58)p

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2017 £'000	31 December 2016 £'000
Non-current assets			
Property, plant and equipment	9	58	29
Intangible assets	10	545	483
Total non-current assets		**603**	**512**
Current assets			
Trade and other receivables	11	885	523
Cash and cash equivalents	12	376	2,538
Total current assets		**1,261**	**3,061**
Total assets		**1,864**	**3,573**
Current liabilities			
Trade and other payables	13	716	444
Loans and borrowings	14, 15	705	599
Total current liabilities		**1,421**	**1,043**
Total liabilities		**1,421**	**1,043**
Net assets		**443**	**2,530**
Share capital	16	1,954	1,703
Share premium account	16	6,969	5,670
Reverse acquisition reserve	16	(2,881)	(2,881)
Merger relief reserve	16	2,501	2,501
Other reserves	16	467	181
Accumulated deficit	16	(8,567)	(4,644)
Total equity		**443**	**2,530**

These financial statements were approved and authorised for issue by the board of directors on 1 June 2018 and were signed on its behalf by:

Joe MacCarthy
Chief Financial Officer
Company number 07847321

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share Premium	Reverse acquisition reserve	Merger relief reserve	Other reserves	Accumulated deficit	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Equity as at 1 January 2016	**1**	**494**	**-**	**-**	**-**	**(366)**	**129**
Loss for the year	-	-	-	-	-	(4,278)	(4,278)
Issue of shares	1,614	-	-	-	-	-	1,614
Reverse acquisition	88	5,176	(2,881)	2,501	-		4,884
Issue of share options	-	-	-	-	14	-	14
Issue of warrants	-	-	-	-	67	-	67
Issue of convertible loan notes	-	-	-	-	100	-	100
Equity as at 31 December 2016	**1,703**	**5,670**	**(2,881)**	**2,501**	**181**	**(4,644)**	**2,530**
Loss for the year	-	-	-	-	-	(3,923)	(3,923)
Issue of shares	251	1,299	-	-	-	-	1,550
Issue of share options	-	-	-	-	304	-	304
Foreign currency translation reserve movement	-	-	-	-	34	-	34
Convertible loan adjustment	-	-	-	-	(52)	-	(52)
Equity as at 31 December 2017	**1,954**	**6,969**	**(2,881)**	**2,501**	**467**	**(8,567)**	**443**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flows from operating activities		
Loss before taxation	(4,126)	(4,420)
Adjustments for:		
Deemed cost of reverse acquisition	-	705
Depreciation and amortisation	538	894
Payment of director fees with share issue	50	-
Finance expenses	71	123
Other reserves	-	81
Share option charge	304	-
Operating loss before working capital changes	**(3,163)**	**(2,617)**
Changes in working capital		
Increase in trade and other receivables	(319)	(334)
Increase in trade and other payables	289	164
Cash (used in) / generated by operations	**(3,193)**	**(2,787)**
Tax received	160	-
Net cash (outflow) / inflow from operating activities	**(3,033)**	**(2,787)**
Investing activities		
Purchase of property, plant and equipment	(59)	(21)
Purchase of intangible assets	(577)	(358)
Acquisition, net of cash acquired	-	(1,013)
Proceeds from disposal of property, plant and equipment	10	-
Net cash flows used in investing activities	**(626)**	**(1,392)**
Financing activities		
Issue of ordinary shares	1,500	6,109
Interest paid on loans and borrowings	(3)	(123)
Repayment of loans	-	(291)
Net proceeds from issue of convertible loans	-	1,125
Net cash flows from financing activities	**1,497**	**6,820**
Net change in cash and cash equivalents	**(2,162)**	**2,641**
Cash and cash equivalents at the beginning of the period	2,538	(103)
Cash and cash equivalents at the end of the period	**376**	**2,538**

The accompanying notes are an integral part of these financial statements.

1. General information

Big Sofa Technologies Group PLC (the “Company”) is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is Finsgate 5-7 Cranwood Street, London, EC1V 9EE. The registered company number is 07847321.

The Company was incorporated on 14 November 2011.

The consolidated financial statements comprised of the Company and its subsidiaries (together referred to as “the Group”) as at and for the year to 31 December 2017. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Group is a business to business technology group that provides video analytics, currently serving both brand owners and market research agencies. The Group’s scalable platform enables users to ingest, manage, search and perform detailed analysis of video, images and audio content. The Group’s business enables consumers to upload unstructured video content to its proprietary analytics platform. The platform then transcodes and, where appropriate, transcribes the data into a structured, downloadable archive of content.

2. Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the European Union (“adopted IFRSs”) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

Basis of consolidation
The consolidated financial statements include the results of the Company and its subsidiaries (“the Group”) as if they formed a single entity for the full period or, in the case of acquisitions, from the date control is transferred to the Group. The Company controls an entity when the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities; in these circumstances it is classified as a subsidiary. Intercompany transactions and balances between Group companies are therefore eliminated in full.

On 19 December 2016 Big Sofa Technologies Group PLC (“Company”) acquired the entire issued share capital of Big Sofa Technologies Limited (“legal subsidiary”) for a consideration of £4,146,000, satisfied by the issue of shares of £3,037,000 and cash of £1,109,000. As the legal subsidiary is reversed into the Company (the legal parent), which originally was a publicly listed cash shell company, this transaction cannot be considered a business combination, as the Company, the accounting acquiree does not meet the definition of a business, under IFRS 3 ‘Business Combinations’. However, the accounting for such capital transaction should be treated as a share-based payment transaction and therefore accounted for under IFRS 2 ‘Share-based payment’. Any difference in the fair value of the shares deemed to have been issued by the Big Sofa Technologies Limited (accounting acquirer) and the fair value of Big Sofa Technologies Group PLC’s (the accounting acquiree) identifiable net assets represents a service received by the accounting acquirer.

Although the consolidated financial information has been issued in the name of Big Sofa Technologies Group PLC, the legal parent, it represents in substance continuation of the financial information of the legal subsidiary.

The assets and liabilities of the legal subsidiary are recognised and measured in the Group financial statements at the pre-combination carrying amounts and not re-stated at fair value.

The retained earnings and other reserves balances recognised in the Group financial statements reflect the retained earnings and other reserves balances of the legal subsidiary immediately before the business combination and the results of the period from 1 January 2016 to the date of the business combination are those of the legal subsidiary only.

The equity structure (share capital and share premium) appearing in the Group financial statements reflects the equity structure of Big Sofa Technologies Group PLC, the legal parent. This includes the shares issued in order to effect the business combination.

The difference between the aggregate deemed fair value of the consideration paid and the identified assets and liabilities acquired of Big Sofa Technologies Group PLC is £705,000 and this amount was charged to the income statement for the year ended 31 December 2016

Changes in accounting policies and disclosures
(a) New and amended standards adopted by the Group
The Group has applied any applicable new standards, amendments to standards and interpretations that are mandatory for the financial year beginning on or after 1 January 2017. However, none of them has a material impact on the Group's consolidated financial statements.

(b) New, amended standards, interpretations not adopted by the Group
A number of new standards, amendments to standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 January 2017, or later periods, where the Group intends to adopt these standards, if applicable, when they become effective. The Group has disclosed below those standards that are likely to be applicable to the Group and is currently assessing the impact of these standards.

- IFRS 2 Share based payments amendments, effective date 1 January 2018 addresses the accounting for cash-settled, share-based payments and equity settled awards that include a 'net settlement' feature in respect of withholding taxes.

- IFRS 15 Revenue from Contracts with Customers, effective date 1 January 2018, subject to the endorsement by the EU. IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This standard replaces the previous standard IAS 11 Construction Contracts, IAS18 Revenue and revenue related IFRICs. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- IFRS 9 Financial Instruments, effective date 1 January 2018, subject to the endorsement by the EU. IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting.

- IFRS 16 Lease, effective date 1 January 2019 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.

- IFRIC 22 Foreign currency transaction and advance consideration, effective date 1 January 2018 considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts.

  Management has not yet fully assessed the impact of these standards but does not believe they will have a material impact on the financial statements.

Going concern
The Directors have prepared a cash flow forecast covering a period extending beyond 12 months from the date of these financial statements.

The forecast contains certain assumptions about the performance of the business including growth in future revenue, the cost model and margins; and importantly the level of cash recovery from trading. The directors are aware of the risks and uncertainties facing the business but the assumptions used are the Directors' best estimate of the future development of the business.

After considering the forecasts and the risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Foreign currency

The functional currency of the Group is Sterling Pound (£), its UK subsidiary is also in £ and its US subsidiary is US $. The presentational currency of the Group is £ because of the domicile of the Group management company and because a significant amount of its transactions are in £.

Transactions entered by the Group's entities in a currency other than the reporting currency are recorded at the rates ruling when the transaction occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Exchange differences arising on the re-translation of outstanding monetary assets and liabilities are also recognised in the income statement.

Revenue recognition

Revenue represents income from annual licenses, processing fees and support services receivable in the normal course of business.
Revenue is measured at the fair value of the consideration received or receivable net of discounts, VAT and other sales related taxes.

All revenue is credited to the profit or loss account in the period to which the revenue relates.

Operating segments

The Board considers that the Group's activity constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the Company by reference to total results against budget.

The total profit measures are operating profit and profit for the period, both disclosed on the face of the income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Company's financial information.

Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

Operating leases

All leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Share-based payment

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period and the corresponding entry recorded in the share-based payment reserve. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

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

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

Property, plant and equipment
Property, plant and equipment is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses. Depreciation is provided to write-off cost, less estimated residual values, of all property, plant and equipment, except for investment properties and freehold land, evenly over their expected useful lives, calculated at the following rates:

Furniture, fittings & equipment – 25% straight line per annum
Computer equipment – 25% straight line per annum

The carrying value of the property, plant and equipment is compared to the higher of value in use and the fair value less costs to sell. If the carrying value exceeds the higher of the value in use and fair value less the costs to sell the asset, then the asset is impaired and its value reduced by recognising an impairment provision.

Intangible assets

(i) Research and development

Expenditure on research activities is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements.
• the development costs can be measured reliably;
• the project is technically and commercially feasible;
• Big Sofa has sufficient resources to complete the project;
• Big Sofa has the ability to use or sell the product; and
• the material development will generate probable future economic benefits.

Development cost not meeting these criteria for capitalisation are expensed as incurred.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised development expenditure is recognised in profit or loss in the period in which it is incurred.

In 2016, the useful life of development costs was reduced from four years to two years.

Taxation

(i) Current tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. Big Sofa's current tax is calculated using rates that have been enacted during the reporting period

(ii) Deferred tax
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities.

The Group is entitled to a tax deduction on the exercise of certain employee share options. A share-based payment expense is recorded in the income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases, a deferred tax asset may be recorded. The deferred tax asset arising on share option awards is calculated as the estimated amount of tax deduction to be obtained in the future (based on the Group's share price at the balance sheet date) pro-rated to the extent that the services of the employee have been rendered over the vesting period. If this amount exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity, against retained earnings. Similarly, current tax relief in excess of the cumulative amount of the Share-based payments expense at the statutory rate is also recorded in retained earnings.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments which are not subject to significant changes in value and have original maturities of less than three months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Equity
Equity comprises the following:
- Share capital: the nominal value of equity shares
- Share premium
- Re-organisation reserve
- Merger relief reserve
- Other reserves and
- Accumulated deficit.

Equity instruments
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, net of tax, from proceeds.

Financial assets
On initial recognition, financial assets are classified as either financial assets at fair value through income statement, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

Loans and receivables
The Group classifies all its financial assets as trade and other receivables. The classification depends on the purpose for which the financial assets were acquired.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables financial assets comprise other receivables (excluding prepayments) and cash and cash equivalents included in the Statement of Financial Position.

Financial liabilities
Financial liabilities are recognised when, and only when, the Group becomes a party to the contracts which give rise to them and are classified as financial liabilities at fair value through the profit and loss or loans and payables as appropriate. The Group's loans and payable comprise trade and other.

When financial liabilities are recognised initially, they are measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through income statement.

Fair value through the income statement category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. There were no financial liabilities classified under this category.

The Group determines the classification of its financial liabilities at initial recognition and re-evaluate the designation at each financial year end.

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

When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

- **Useful lives of depreciable assets**

Management reviews the useful lives and residual value of depreciable assets at each reporting date to ensure that the useful lives represent a reasonable estimate of likely period of benefit to the Group. Tangible fixed assets are depreciated over their useful lives taking into account of residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- **Intangible assets (including capitalised development costs)**

The assessment of the future economic benefits generated by these separately identifiable intangible assets and the determination of its amortisation profile involve a significant degree of judgement based on management estimation of future potential revenue and profit and the useful life of the assets. Reviews are performed regularly to ensure the recoverability of these intangible assets.

The decrease in the useful life of capitalised development costs from 4 to 2 years greatly increased the amortisation charge in 2016.

- **Share-based payments**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17 Share-based payments.

- **Taxation**

In recognising income tax assets and liabilities, management makes estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. Where the final outcome of such matters is different, or expected to be different, from previous assessments made by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made. In recognising deferred tax assets and liabilities management also makes judgements about likely future taxable profits. The carrying values of current tax and deferred tax assets and liabilities are disclosed separately in the statement of financial position.

3. Financial Risk Management

Financial instruments by category

Financial assets	**31 December 2017**	**31 December 2016**
	£'000	**£'000**
Trade and other receivables	885	523
Cash and cash equivalents	376	2,538
Total current financial assets	**1,261**	**3,061**

Financial liabilities	**31 December 2017**	**31 December 2017**
	£'000	**£'000**
Trade and other payables	716	444
Bank overdraft	-	-
Loans and borrowings	705	599
Total current financial liabilities	**1,421**	**1,043**

Fair value hierarchy

All the financial assets and financial liabilities recognized in the financial statements which are short-term in nature are shown at the carrying value which also approximates the fair values of those financial instruments. Therefore, no separate disclosure for fair value hierarchy is required.

The Group's activities expose it to a variety of financial risks, mainly credit risk and liquidity risk.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Big Sofa's market risks arise from open positions in (a) interest-bearing assets and liabilities, and (b) foreign currencies; to the extent that these are exposed to general and specific market movements (see details below).

(i) *Interest rate risk*
The Group's interest-bearing assets comprise of only cash and cash equivalents. As Big Sofa's interest-bearing assets do not generate significant amounts of interest; changes in market interest rates do not have any significant direct effect on its income.

(ii) *Currency risk*
The Group is exposed to movement in foreign currency exchange rates arising from normal trading transactions that are denominated in currencies other than the respective functional currencies of the entity, primarily with respect to USD. The Group does not have a policy to hedge its exposure to foreign currency exchange risk as the Group has both revenue and exposures denominated in USD such that the net exposure is declining as the Group moves towards being naturally hedged.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash balances (including bank deposits, cash and cash equivalents) and credit exposures to trade receivables. The Group's maximum exposure to credit risk is represented by the carrying value of cash and cash equivalents and trade receivables.

Credit risk is managed by monitoring clients and performing credit checks before accepting any customers. The nature of the Group's underlying client base – a large variety of multinational companies – is such that risk is diversified and mitigated.

Liquidity risk

The Group currently holds cash balances to provide funding for normal trading activity and is managed centrally. Trade and other payables are monitored as part of normal management routine.

Borrowings and other liabilities mature according to the following schedule:

	2017	2016
	Within 1 year	Within 1 year
	£'000	£'000
Trade and other payables	716	444
Loans & borrowings	705	599
	1,421	1,043

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. Management's overall strategy remained unchanged during the period. The capital structure of the Group consists of cash and cash equivalents, issued capital, the share premium account and retained earnings.

The Group is not subject to any externally imposed capital requirements. As part of the Group's management of capital structure, consideration is given to the cost of capital.

4. Loss from operations

	Year ended 31 December 2017	**Year ended 31 December 2016**
	£'000	**£'000**
Loss is stated after charging:		
Audit fees – current Group's auditors	24	20
Other services:		
Audit fees – subsidiary	10	38
Non-audit fees	11	11
Non-audit fees – taxation advisory and compliance services of previous auditors	-	2
Depreciation of property, plant and equipment	23	12
Amortisation of intangible assets	515	882
Legal and professional fees	299	303
Staff costs	3,695	2,089
Capitalised R&D costs	(560)	(358)
Operating lease rentals	179	73
Foreign exchange losses	69	10
AIM admission expenses[1]	-	785
Deemed cost of reverse acquisition[2]	-	705
Other Costs	635	104
Total Administration expenses	4,900	4,676

[1] AIM admission expenses relate to legal, professional fees and other costs incurred during the December 2016 fundraising activity, reverse takeover transaction and share-based payments of £66,000 on the warrants issued.
[2] Deemed cost of reverse acquisition represents the excess of aggregate deemed fair value of consideration paid over the assets and liabilities acquired in relation to the reverse takeover of Big Sofa Technologies Group PLC.

5. Employees and directors

The average number of employees (including executive directors) during the year was made up as follows:

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Directors	6	4
Administrative	15	11
	21	15
Research and development	10	5
Total	**31**	**20**

The cost of employees (including directors) during the year was made up as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Salaries	2,376	1,222
Social security costs	243	123
Other staff costs	606	422
Director fees	166	308
Share-based payments	304	14
Staff costs including R&D staff	**3,695**	**2,089**

The above remuneration (including share-based payments) of directors includes the following amounts paid to the highest paid Director:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Highest paid Director	**183**	**144**

During the year, it was agreed that the parent company's non-executive directors fees would be settled with the parent company's shares for the period August – December 2017.

6. Finance income and expenses

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Finance expenses		
Interest paid on loans	-	(43)
Interest payable on convertible loans	(58)	(20)
Other finance fees	(13)	(60)
Total finance expenses	**(71)**	**(123)**

7. Tax credit

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
The tax credit is as follows:		
UK Corporation tax		
Tax credit – current year	185	112
– previous year	18	30
Total current tax	203	142
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax credit	203	142

The current corporation tax credit for year ended 31 December 2017 relates to a tax receivable in respect of UK research and development activity.

Factors affecting the tax credit
The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to the result for the year are as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss on ordinary activities	(4,126)	(4,420)
Standard rate of corporation tax	19%	20%
Loss before tax multiplied by the standard rate of corporation tax	(794)	(884)
Effects of:		
Losses carried forward	407	568
Non-deductible expenses	397	298
Accelerated depreciation	-	2
Accelerated capital allowances	(1)	-
Amortisation	99	177
Additional deduction for R&D expenditure	(108)	(161)
R&D tax credit claimed	(203)	(142)
Tax credit	(203)	(142)

Changes in tax rates
UK small company's corporation tax rate has been reduced from 20% to 19% as of 1 April 2017. Accordingly, the deferred tax liability has been calculated based on the rate of 19% at the balance sheet date. Future enacted tax rates or 18% will apply from 1 April 2020. The Group has not recognised deferred tax assets arising from the accumulated tax losses and timing differences due to uncertainty of their future recovery. An amount of £72,000 at 31 December 2017 (2016: £13,000) has arisen due to timing differences relating to share options and warrants. Deferred tax on this amount has not been recognised due to the uncertainty surrounding the timing of the options/warrants being exercised.

8. Earnings per share

	Year ended 31 December 2017	Year ended 31 December 2016
Basic and diluted		
Loss for the period and earnings used in basic & diluted EPS (£)	(3,923,453)	(4,278,403)
Weighted average number of shares used in basic and diluted EPS	59,301,048	5,180,697
Loss per share (pence)	(6.62)	(82.58)

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares for the current and prior years included shares issued by Big Sofa Technologies Group PLC.
Due to the loss in the periods the effect of the share options was considered anti-dilutive and hence no diluted loss per share information has been provided.

9. Property, plant and equipment

	Plant & Equipment £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost			
At 31 December 2015	**27**	**3**	**30**
Additions	21	-	21
At 31 December 2016	**48**	**3**	**51**
Additions	34	25	59
Disposals	(10)	-	(10)
At 31 December 2017	**72**	**28**	**100**
Depreciation			
At 31 December 2015	**9**	**1**	**10**
Charge for the year	12	-	12
At 31 December 2016	**21**	**1**	**22**
Depreciation	17	6	23
Disposals	(3)	-	(3)
At 31 December 2017	**35**	**7**	**42**
Net book value			
At 31 January 2016	**27**	**2**	**29**
At 31 December 2017	**37**	**21**	**58**

10. Intangible assets

	Development costs £'000	Software £'000	Total £'000
Cost			
At 31 December 2015	**1,763**	**-**	**1,763**
Additions	358	-	358
At 31 December 2016	**2,121**	**-**	**2,121**
Additions	560	17	577
At 31 December 2017	**2,681**	**17**	**2,698**
Amortisation			
At 31 December 2015	**756**	**-**	**756**
Charge for the year	882	-	882
At 31 December 2016	**1,638**	**-**	**1,638**
Charge for the year	509	6	515
At 31 December 2017	**2,147**	**6**	**2,153**
Net book value			
At 31 December 2016	**483**	**-**	**483**
At 31 December 2017	**534**	**11**	**545**

11. Trade and other receivables

	31 December 2017 £'000	31 December 2016 £'000
Trade receivables	332	115
Prepayments	54	84
Other receivables	471	154
VAT receivable	28	170
Total trade and other receivables	**885**	**523**

12. Cash and cash equivalents

	31 December 2017 £'000	31 December 2016 £'000
Cash at bank and in hand	376	2,538

13. Trade and other payables

	31 December 2017 £'000	31 December 2016 £'000
Trade payables	403	196
Accruals and deferred income	201	229
Social security & other taxes payable	106	-
Other payables	6	19
Total trade and other payables	**716**	**444**

14. Loans and borrowings

	31 December 2017	31 December 2016
	£'000	£'000
Current		
Small business loans (unsecured)	-	4
Convertible loans	705	595
Total loans and borrowings	705	599

15. Convertible loans

Big Sofa Technologies Limited ("the subsidiary") obtained loans totalling £675,000 during 2016. These loans are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 31 December 2018. The conversion rate is £0.17 per share. These convertible loans are presented in the balance sheet as follows:

The movement of the liability portion of 2017 Notes is as follows:

	2017	***2016***
	£'000	*£'000*
Carrying amount at beginning the period	595	–
Face value of the convertible loan notes issued during the period	0	675
Equity component adjustment	52	(100)
Liability component on initial recognition	647	575
Interest charged calculated at an effective interest rate	58	20
Liability component at the end of the period	705	595

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

16. Share capital and reserves

	Issued Ordinary shares of		Share premium	Merger relief reserve	Reverse acquisition reserve	Accumulated deficit	Other reserves	Total
	Number	Nominal value £'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 Jan 2016 of 0.01	8,855,001	1	494	-	-	(366)	-	129
Shares consolidation	(5,903,334)	-	-	-	-	-	-	-
Issue of shares	53,801,437	1,614	-	-	-	-	-	1,614
Reverse acquisition	-	88	5,176	2,501	(2,881)	-	-	4,884
Loss for the period	-	-	-	-	-	(4,278)	-	(4,278)
Issue of share options	-	-	-	-	-	-	14	14
Issue of warrants	-	-	-	-	-	-	67	67
Issue of convertible loan notes	-	-	-	-	-	-	100	100
At 31 Dec 2016	**56,753,104**	**1,703**	**5,670**	**2,501**	**(2,881)**	**(4,644)**	**181**	**2,530**
At 1 Jan 2017 of 0.03	56,753,104	1,703	5,670	2,501	(2,881)	(4,644)	181	2,530
Issue of shares	8,378,376	251	1,299	-	-	-	-	1,550
Loss for the period	-	-	-	-	-	(3,923)	-	(3,923)
Issue of share options	-	-	-	-	-	-	304	304
Foreign currency translation reserve	-	-	-	-	-	-	34	34
Adjustment to convertible loan notes	-	-	-	-	-	-	(52)	(52)
At 31 Dec 2017	**65,131,480**	**1,954**	**6,969**	**2,501**	**(2,881)**	**(8,567)**	**467**	**443**

On 11 September 2017, 8,378,376 ordinary shares of £0.03 were issued at £0.185 per share.

All shares of the Company rank pari passu in all respects.

Reserves

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

Share premium	Amount subscribed for share capital in excess of nominal value.
Other reserve	Cumulative fair value of share options and warrants granted and recognised as an expense in the Income Statement and equity portion of convertible loan.
Merger relief reserve	Merger relief reserve arises from the 100% acquisition of Big Sofa Technologies Limited in December 2016 whereby the excess of the fair value of the issued ordinary share capital issued over the nominal value of these shares is transferred to this reserve in accordance with section 612 of the Companies Act 2006.
Reverse acquisition reserve	Effect on equity of the reverse acquisition of Big Sofa Technologies Limited
Retained earnings	Retained earnings represents all other net gains and losses and transactions with shareholders (example dividends) not recognised elsewhere.

17. Share-based payments

The Company operates an Enterprise Management Incentive (EMI) scheme for employees and directors.

Share and warrant based payment charged to the Group's profit or loss for the period were as follows:

	Year ended 31 December 2017	**Year ended 31 December 2016**
	£'000	**£'000**
Options issued to employees and directors of parent	183	8
Options issued to employees of subsidiary	121	6
Included in share-based payments	**304**	**14**
Warrants issued for services received	-	67
Included in AIM admission expenses	**-**	**67**
Total share-based payments	**304**	**81**

The table below set outs the number and weighted average exercise price (WAEP) of, and movements in, the Company's share options scheme in the period:

Share options

	31 December 2017		**31 December 2016**	
	Number	WAEP (£)	Number	WAEP (£)
At 1 January	8,849,365	0.17	-	-
Granted during the year	-	-	8,849,365	0.17
Forfeited/lapsed during the year	(1,019,610)	0.17	-	-
At 31 December	7,829,755	0.17	8,849,365	0.17

The EMI options vests provided the employees remain in the service of the Company or subsidiary for a period of 3 years from the grant date or vest equally over 3 years from grant date.

There were no options exercised during the period.

The following share options of the Company were outstanding in respect of Ordinary shares at 31 December:

	Big Sofa Technologies Group PLC options scheme
	31 December 2017
EMI scheme	
Number of options	7,829,755
Exercise price range	0.17
Exercise period	December 2017 - December 2026

The weighted average remaining contractual life for the EMI share options outstanding at 31 December 2017 was 8.9 years.

The fair value of equity settled share options granted under the Group's share option schemes is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs and key output to the model:

	Big Sofa Technologies Group PLC options scheme
	31 December 2017
	EMI
Weighted average fair value at grant date (£)	0.1171
Weighted average share price (£)	0.21
Exercise price (£)	0.17
Expected volatility	60%
Expected options life (years)	10
Expected dividends	0%
Risk-free interest rate	1.46%

Warrants

On During 2017, the company issued nil (2016 - 567,531) share warrants at exercise price of nil (2016 - £0.17) to the Group's advisers. These warrants are exercisable at any time during the period of 5 years from date of grant

	31 December 2017		**31 December 2016**	
	Number	WAEP (£)	Number	WAEP (£)
At 1 January	**567,531**	**0.17**	**-**	**-**
Granted during the year	-	-	567,531	0.17
Forfeited/lapsed during the year			-	-
At 31 December	567,531	0.17	567,531	0.17

The fair value of the warrants is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs and key output to the model:

As Big Sofa Technologies Group PLC was admitted to the AIM market on 19 December 2016, the company has insufficient historical data to calculate and hence the volatility of 60% is based on the implied volatility of a group of listed entities that have similar characteristics and are in the same industry sector.

	31 December 2017
Weighted average share price £	0.21
Weighted average fair value at grant date £	0.17
Expected volatility	60%
Expected options life – years	5
Expected dividends	-
Risk-free interest rate	1.46%

18. Operating lease commitments

The Group leases certain land and buildings on a short term basis. The total future value of minimum lease payments is due as follows:

	Land and building 31 December 2017 £'000	Land and building 31 December 2016 £'000
Within one year	86	58
Between one and five years	11	-
After more than five years	-	-
	97	58

19. Related Party Transactions

During the period the Company entered into the following transactions with related parties:

Related party	Transaction	Note	31 December 2017 £	31 December 2016 £
Reyco Limited	Non-executive director fees, IPO costs, placing fees and expenses	1	60,800	92,911
Kindred Agency Limited	Non-executive director fees	2	15,000	33,333
Metcalfe Consultancy Limited	Non-executive director fees, IPO costs, placing fees and expenses	3	60,800	33,333
Tranby Limited	Non-executive director fees	4	30,000	24,998
Nick Mustoe	Non-executive director fees		15,000	-

Amounts outstanding as at year end were as follows		
Metcalfe Consultancy Limited	8,500	-
Tranby Limited	8,500	

1. Mr. Adam Reynolds, a non-executive director of Big Sofa Technologies Group PLC is a director of and has an interest in Reyco Limited.
2. Mr. Nick Mustoe, a non-executive director of Big Sofa Technologies Group PLC is a director of and has an interest in Kindred Agency Limited.
3. Mr. Steven Metcalfe, a non-executive director of Big Sofa Technologies Group PLC is a director of and has an interest in Metcalfe Consultancy Limited.
4. Mr. Paul Clark, a non-executive director of Big Sofa Technologies Group PLC is a director of and has an interest in Tranby Limited.

20. Events subsequent to the reporting date

In January 2018, 477,100 shares at 13.1p per share were issued to directors / PDMRs in lieu of fees for the period August – December 2017.

In January 2018, the Group granted each employee 38,095 share options (in aggregate, 1,257,143 share options) with a vesting period of 50% of the options on 19 December 2018 and 50% on 19 December 2019 and with an exercise price of 13.125p per share. In addition to the general employee share option grants described above, options over an aggregate 794,118 shares were granted to staff members (other than directors/PDMRs) who the board considers are key to the future growth of the Group. These are at an exercise price of 17p per share, and with a vesting period for 50% of the options on 19 December 2018 and 50% on 19 December 2019.

In March 2018, Ipsos purchased approximately 20% (16,402,143 shares) of the total issued share capital for 18.5p per share.

On 31 May 2018, Eridge Capital Limited ("Eridge") (formerly New World Oil and Gas PLC) elected to convert £100,000 of the Convertible Loan plus rolled up interest into 588,235 ordinary shares of 3p in the Company, representing a conversion price of 17p per share. Furthermore, Big Sofa and Eridge have agreed that Big Sofa will repay the full outstanding balance of the Convertible Loan plus rolled up interest, totalling £639,212.

As a result of the above-mentioned transactions, and conditional on the admission of the shares which Eridge have elected to convert, the total issued share capital is now 82,598,958 ordinary Shares.

21. Ultimate controlling party

There is no ultimate controlling party of the Company.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2017 £'000	31 December 2016 £'000
Non-current assets			
Investments in subsidiaries	4	4,170	4,170
Long-term loans owing from subsidiaries	6	6,138	1,923
Total non-current assets		**10,308**	**6,093**
Current assets			
Trade and other receivables	5	231	136
Cash and cash equivalents	7	279	2,439
Total current assets		**510**	**2,575**
Total assets		**10,818**	**8,668**
Current liabilities			
Trade and other payables	8	176	132
Total current liabilities		**176**	**132**
Non-current liabilities			
Long-term loans owing to subsidiaries	6	-	68
Total non-current liabilities		**-**	**68**
Total liabilities		**176**	**200**
Net assets		**10,642**	**8,468**
Share capital	9	1,954	1,703
Share premium		6,969	5,670
Merger Relief Reserve		2,501	2,501
Share-based payment reserve		385	81
Retained losses		(1,167)	(1,487)
Total equity		**10,642**	**8,468**

These financial statements were approved and authorised for issue by the board of directors on 1 June 2018 and were signed on its behalf by:

Joe MacCarthy
Chief Financial Officer
Company Registration Number: 07847321

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger Relief reserve	Share-based Payment Reserve	Retained losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Equity as at 31 December 2015	**89**	**639**	**-**	**-**	**(458)**	**270**
Loss for the year	-	-	-	-	(1,029)	(1,029)
Total comprehensive loss	-	-	-	-	**(1,029)**	**(1,029)**
Issue of shares	1,614	-	-	-	-	1,614
Merger relief reserve	-	5,031	2,501	-	-	7,532
Issue of share options	-	-	-	14	-	14
Issue of warrants	-	-	-	67	-	67
Equity as at 31 December 2016	**1,703**	**5,670**	**2,501**	**81**	**(1,487)**	**8,468**
Equity as at 1 January 2017	**1,703**	**5,670**	**2,501**	**81**	**(1,487)**	**8,468**
Profit / (loss) for the year	-	-	-	-	320	320
Total comprehensive profit / (loss)	-	-	-	-	**320**	**320**
Issue of shares	251	1,299	-	-	-	1,550
Issue of share options	-	-	-	304	-	304
Equity as at 31 December 2017	**1,954**	**6,969**	**2,501**	**385**	**(1,167)**	**10,642**

The accompanying notes are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flows from operating activities		
Operating profit / (loss) before taxation	320	(1,029)
Adjustments for:		
Share-based payments	304	81
Payment of director fees with share issue	50	-
Operating loss before working capital changes	**674**	**(948)**
Changes in working capital		
Increase in trade and other receivables	(95)	(2,057)
Increase /(decrease) in trade and other payables	44	91
Cash (used in) / generated by operations	**623**	**(2,914)**
Net cash outflow from operating activities	**623**	**(2,914)**
Investing activities		
Loans to subsidiary undertakings	(4,283)	(1,109)
Net cash flows used in investing activities	**(4,283)**	**(1,109)**
Financing activities		
Proceeds from issue of share capital	1,500	6,109
Net cash flows from financing activities	**1,500**	**6,109**
Net change in cash and cash equivalents	**(2,160)**	**2,086**
Cash and cash equivalents at the beginning of the year	2,439	353
Cash and cash equivalents at the end of the year	**279**	**2,439**

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

The accounting policies that are applicable, as set out in note 2 to the consolidated financial statements have been applied together with the following accounting policies below that have been consistently in the preparation of these Big Sofa Technologies Group PLC ("the Company") financial statements.

Basis of preparation

The financial statements of Big Sofa Technologies Group PLC have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). There were no material amendments for all periods presented on the adoption of FRS 10, following the transition from IFRS to FRS 101. The financial statements have been prepared under the historical cost convention, as modified and in accordance with the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions under FRS 101:
a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(IV) of IAS 1 – a reconciliation of the share capital at beginning and end of the period;
b) the requirements of paragraphs 134 – 136 of IAS 1 'Presentation of Financial Statements' to disclose the management of the capital of the Company;
c) the requirements of paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' to disclose the new or revised standards that have not been adopted and information about their likely impact;
d) all of the disclosure requirements of IFRS 7 'Financial Instruments: Disclosures';
e) the requirements of paragraph 17 of IAS 24, 'Related Party Disclosures' to disclose key management personnel; and
f) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiaries which is a party to the transaction is wholly owned by such a member.

Investments in subsidiaries
The Company's investment in its subsidiaries is carried at cost less provision for any impairment. Investments denominated in foreign currency are recorded using the rate of exchange at the date of acquisition. The carrying value is tested for impairment when there is an indication that the value of the investment might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. The Board review the subsidiary forecasts to determine whether any provision impairment is required and where the forecasts indicate future profitability, no impairment provision is made.

Share-based payments
The accounting policy for share-based payments is disclosed in note 2 to the consolidated financial statements.

Taxation
The accounting policy for taxation is disclosed in note 2 to the consolidated financial statements.

Critical accounting estimates and judgments
The preparation of financial information in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 as follow:

1. Measurements of the share-based payment and taxation. These are detailed in the Group accounts under note 2. Accounting Policies – Summary of critical accounting estimates and judgements.

2. Impairment of investment impairment. This is detailed in the accounting policy Investment in subsidiaries above.

2. Company income statement

The Company has taken advantage of Section 408 of the Companies Act 2006 in not presenting its own income statement. The Company's profit for the year was £320,327 (2016 loss: £1,029,000) and is included within the consolidated statement of comprehensive income.

3. Staff costs

The cost of employees (including directors) during the period was made up as follows:

	31 December 2017	**31 December 2016**
	£'000	**£'000**
Salaries (including directors)	-	-
Directors fees	133	226
Share-based payments (relating to employees)	304	14
Total staff costs	**437**	**240**

4. Investments in subsidiary undertakings

	Investment in subsidiary **£**
COST	
At 1 January 2016	**-**
Additions	4,170
At 31 December 2016	4,170
Additions	-
At 31 December 2017	**4,170**
IMPAIRMENT	
At 1 January 2016	-
Impairment of investment in subsidiary	-
At 31 December 2016	**-**
Impairment of investment in subsidiary	-
At 31 December 2017	**-**
Net book value	
At 31 December 2016	**4,170**
At 31 December 2017	**4,170**

The principal undertakings in which the company's interest at the year-end is as follows:

Name	**Country of incorporation**	**Proportion of ownership interest at 31 December 2017**	**Nature of business**
Big Sofa Technologies Ltd	United Kingdom	100.0%	Video and image analytics
Big Sofa Technologies Inc.	United States	100.0%	Video and image analytics

5. Trade and other receivables

	31 December 2017 £'000	31 December 2016 £'000
Prepayments	41	-
VAT receivables	-	136
Other receivables	190	
Total	**231**	**136**

All amounts are due within three months. No amounts are past due.

6. Net amounts due from subsidiaries

The directors consider that the carrying amount of amounts owed by and to Group undertakings approximates their fair value. The amounts reported under current assets have no fixed repayment terms.

7. Cash and cash equivalents

	31 December 2017 £'000	31 December 2016 £'000
Cash at bank and in hand	279	2,439

8. Trade and other payables

	31 December 2017 £'000	31 December 2016 £'000
Trade payables	123	87
Accruals and deferred income	53	-
Other payables	-	45
Total trade and other payables	176	132

9. Share capital

For details of share capital see note 16 of the consolidated financial statements.

10. Share-based payments

For details of share-based payments see note 17 of the consolidated financial statements.

11. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with Big Sofa Technologies Limited and Big Sofa Technologies Inc which are both wholly owned subsidiaries of Big Sofa Technologies Group PLC.
There are no other related party transactions other than those relating to Directors that have been disclosed in note 19 to the consolidated statements.

12. Commitments

The Company has no lease or capital commitments at the end of the reporting period.

13. Contingent liabilities

The Company has no contingent liabilities.

14. Ultimate controlling party

The Company does not have an ultimate controlling party.

15. Events after reporting date

For details of events after reporting date see note 20 of the consolidated financial statements.

OFFICERS AND ADVISORS

Directors:	Nick Mustoe; Non-Executive Chairman Simon Lidington; Chief Executive Officer Joe MacCarthy; ACA Chief Financial Officer Matt Lynch; Chief Strategy Officer Adam Reynolds; Non-Executive Director (resigned 1 June 2018) Steven Metcalfe; Non-Executive Director Paul Clark; Non-Executive Director Laurence Stoclet; Non-Executive Director (appointed 9 March 2018)
Company secretary and registered office:	Joe MacCarthy ACA (from the date of the GM) Finsgate 5-7 Cranwood Street London EC1V 9EE
Nominated advisor:	SPARK Advisory Partners Limited 5 St John's Lane London EC1M 4BH
Broker:	Hobart Capital Markets LLP 8-10 Grosvenor Gardens London SW1W 0DH
Bankers:	Coutts 440 Strand London WC2R 0QS
Auditors:	Jeffreys Henry LLP 5-7 Cranwood Street Finsgate London EC1V 9EE
Solicitors:	BPE Solicitors LLP St. James House St. James Square Cheltenham GL50 3PR
Registrars:	Link Asset Services, The Registry, 34 Beckenham Road Beckenham BR3 4TU
Company Number:	07847321
Website:	www.bigsofatech.com

BIG SOFA TECHNOLOGIES GROUP PLC

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ("**AGM**") of Big Sofa Technologies Group PLC ("**Company**") will be held at the offices of the Company at 5 Martin Lane, London EC4R 0DP on 3rd July 2018 at 9.00 a.m.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 4 will be proposed as ordinary resolutions and Resolution 5 will be proposed as a special resolution.

RESOLUTIONS

Ordinary Business

Resolution 1

THAT the Company's annual accounts for the period ended 31 December 2017, together with the directors' report and auditors' report thereon, be received and adopted.

Resolution 2

THAT Jeffreys Henry LLP be re-appointed as auditors of the Company to hold office from the conclusion of the AGM until the conclusion of the next annual general meeting at which accounts are laid before the Company.

Resolution 3

THAT the directors of the Company be authorised to determine the auditor's remuneration.

Special Business

Resolution 4

THAT, in accordance with section 551 of the Companies Act 2006 ("**CA 2006**"), the board of directors of the Company ("**Directors**") be generally and unconditionally authorised to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "**Relevant Securities**"):

1. comprising equity securities (as defined by section 560 of the CA 2006) up to an aggregate nominal amount of £1,651,979 (such amount to be reduced by the nominal amount of any Relevant Securities allotted pursuant to the authority in paragraph 2 below) in connection with an offer by way of a rights issue:

   (a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

   (b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

2. in any other case, up to an aggregate nominal amount of £1,238,984 (such amount to be reduced so that the nominal amount of any equity securities allotted pursuant to the authority in paragraph 1 above and this paragraph 2 does not exceed £1,651,979),

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date falling 18 months after the date of the passing of this resolution or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Resolution 5

THAT, subject to the passing of Resolution 4, the Directors be authorised to allot equity securities (as defined in section 560 of the CA 2006) for cash under the authority conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be limited to:

(a) the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under paragraph 1 of Resolution 4, by way of a rights issue only):

(i) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraph (a) of this Resolution 5) to any person up to an aggregate nominal amount of £1,238,984.

The authority granted by this resolution will expire at the conclusion of the Company's next annual general meeting after the passing of this resolution or, if earlier, at the close of business on the date falling 18 months after the date of the passing of this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities or sell treasury shares as if section 561 of the CA 2006 did not apply but without prejudice to any allotment of equity securities or sale of treasury shares already made or agreed to be made pursuant to such authorities.

By order of the Board

Joe MacCarthy

Registered office:-

Company Secretary

Finsgate
5-7 Cranwood Street
London EC1V 9EE

4th June 2018

Registered number:- 07847321

Explanatory Notes

Resolution 1 – Receiving the accounts and reports

All companies are required by law to lay their annual accounts before a general meeting of the Company, together with the directors' reports and auditors' report on the accounts. At the AGM, the directors will present these documents to the shareholders for the financial period ended 31 December 2017.

Resolution 2 – Re-appointment of auditors

The auditors are required to be re-appointed at each annual general meeting at which accounts are laid. The directors, on the recommendation of the Audit Committee (which has evaluated the effectiveness and independence of the external auditors), are proposing the re-appointment of Jeffreys Henry LLP as auditors until the conclusion of the next general meeting at which accounts are laid, that is, the next annual general meeting.

Resolution 3 – Auditors' remuneration

This resolution authorises the directors to fix the auditors' remuneration.

Resolution 4 – Directors' power to allot shares

This resolution grants the directors authority to allot (i) in relation to a pre-emptive rights issue only, equity securities (as defined by section 560 of the CA 2006) up to a maximum nominal amount of £1,651,979 which represents approximately two thirds of the Company's issued ordinary shares (excluding treasury shares) as at 1 June 2018*. This maximum is reduced by the nominal amount of any Relevant Securities allotted under the authority set out in paragraph 2; and (ii) in any other case, Relevant Securities up to a maximum nominal amount of £1,238,984 which represents approximately half of the Company's issued ordinary shares (excluding treasury shares) as at 1 June 2018*. This maximum is reduced so that the nominal amount of any equity securities allotted under the authority set out paragraph 1 and paragraph 2 does not exceed £1,651,979. Unless revoked, varied or extended, this authority will expire at the conclusion of the next annual general meeting of the Company or the date falling 18 months from the passing of the resolution, whichever is the earlier.

* On 31 May 2018 the Company allotted 588,235 ordinary shares of £0.03 each to Eridge Capital Limited ("Eridge Shares"), such allotment being conditional on the admission of such shares to trading on AIM. On the assumption that such admission will occur, all references to the Company's issued share capital for the purposes of Resolutions 4 and 5 include the Eridge Shares.

Resolution 5 – Directors' power to issue shares for cash

This resolution authorises the directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either where the allotment takes place in connection with a rights issue or other pre-emptive offer or the allotment is limited to a maximum nominal amount of £1,238,984, representing approximately 50% of the nominal value of the issued ordinary share capital of the Company as at 1 June 2018 (as increased by the Eridge Shares) being the latest practicable date before publication of this notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next annual general meeting of the Company or 18 months after the passing of the resolution, whichever is the earlier.

NOTES:

1. As a member of the Company, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a Form of Proxy with this notice of AGM. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

2. A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

3. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by that member. To appoint more than one proxy, you may photocopy the Form of Proxy or request additional copies of the Form of Proxy from Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, tel +44 020 8639 2423. You will need to state clearly on each Form of Proxy the number of shares in relation to which the proxy is appointed (which, in aggregate, should not exceed the number of shares held by you).

4. To appoint a proxy using the Form of Proxy, the form must be: (i) completed and signed; (ii) sent or delivered to the Company's Registrars, Link Asset Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and (iii) received by the Company's Registrars no later than 9.00 a.m. on 29 June 2018.

5. In the case of a member which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

7. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

9. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

10. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, to be received by the Company's Registrars no later than 9.00 a.m. on 29 June 2018. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

11. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

12. Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755), the Company has specified that only those members registered on the Register of Members of the Company at 9.00 a.m. on 29 June 2018 (or, if the AGM is adjourned, at 6.00 p.m. on the day two working days priors to the adjourned meeting) shall be entitled to attend and vote at the AGM in respect of the number of ordinary shares registered in their name at that time. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM.

13. You may not use any electronic address provided in either (a) this notice of AGM; or (b) any related documents (including the Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

14. As at 1 June 2018 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 82,010,723 ordinary shares of £0.03 each, carrying one vote each. The total voting rights in the Company as at close of business on 1 June 2018 are therefore 82,010,723. However, with effect from the admission to trading on AIM of the Eridge Shares (as defined above), which shares have been already allotted but subject to such admission, the issued share capital of the Company will be 82,598,958 ordinary shares of £0.03 each, carrying one vote each, so that with effect from such admission the total voting rights in the Company will be 82,598,958.

Big Sofa Technologies Group PLC

(Incorporated and registered in England and Wales with registered number 07847321*)*

FORM OF PROXY – ANNUAL GENERAL MEETING

Before completing this form, please read the explanatory notes below.

I/We the undersigned, being a member/members of Big Sofa Technologies Group PLC ("**Company**"), appoint

Name:…………………………….. Number of shares:……………………………………...... or,

failing him, the Chairman of the meeting, as my/our proxy to attend, speak and vote on my/our behalf at the Annual General Meeting of the Company to be held at the offices of the Company at 5 Martin Lane, London, EC4R 0DP on 3 July 2018 at 9.00 a.m. and any adjournment thereof. The proxy will vote on the under mentioned resolutions, as indicated.

If you wish to appoint multiple proxies, please see note 4 below.

Please tick here if you are appointing more than one proxy: [ ]

(PLEASE INDICATE WITH AN 'X' IN THE BOXES BELOW)

RESOLUTIONS	For	Against	Vote Withheld
ORDINARY BUSINESS:			
Resolution 1: To receive and adopt the Company's annual accounts for the 12 months ended 31 December 2017, together with the directors' report and auditors' report thereon.			
Resolution 2: To re-appoint Jeffreys Henry LLP as auditors of the Company.			
Resolution 3: To authorise the directors of the Company to determine the auditor's remuneration.			
Resolution 4: To authorise the directors of the Company to allot shares in the capital of the Company in accordance with section 551 of the Companies Act 2006.			
Resolution 5: To authorise the directors of the Company to allot equity securities other than in accordance with statutory pre-emption rights that would otherwise apply pursuant to section 561 of the Companies Act 2006.			

If this form is signed and returned without any indication as to how the proxy shall vote, your proxy will vote or abstain from voting at his or her discretion.

PRINT NAME: ....

SIGNATURE: ....

DATE: 2018

Big Sofa Technologies Group PLC

(Incorporated and registered in England and Wales with registered number 07847321*)*

FORM OF PROXY – ANNUAL GENERAL MEETING (continued)

1. As a member of the Company you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes. If the proxy is being appointed in relation to part of your holding only, please enter in the space next to the proxy's name the number of shares in relation to which they are authorised to act as your proxy. If this space is left blank they will be authorised in respect of your full voting entitlement.

2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the Annual General Meeting, insert their full name in the space provided. If you sign and return this Form of Proxy with no name inserted in the space, the Chairman of the Annual General Meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy this Form of Proxy or request additional copies of the Form of Proxy from Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, tel+44 (0) 371 664 0300 (calls cost 12 pence per minute plus network extras, from outside the UK calls will be charged at the applicable international rate). Lines are open Monday - Friday, 9:00 a.m. – 5:30 p.m., excluding public holidays in England and Wales. If you are appointing more than one proxy, please indicate in the space next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy and indicate by ticking the relevant box that the proxy appointment is one of multiple appointments being made. Multiple proxy appointments should be returned together in the same envelope.

5. For details of how to change your proxy instructions or revoke your proxy appointment, see the notes to the Notice of Annual General Meeting.

6. To direct your proxy how to vote on the resolutions, mark the appropriate box with an 'X'. To abstain from voting on the resolution, select the "Vote Withheld" box. A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting, including a motion to adjourn.

7. To appoint a proxy using this form, the form must be (i) completed and signed (ii) sent or delivered to the Registrars of the Company, Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, and (iii) received by the Registrars of the Company by not less than 48 hours before the AGM.

8. In the case of a member which is a company, this Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

9. Any power of attorney or any other authority under which this Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

10. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

11. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

12. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.