bigsofa
TECHNOLOGIES

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BIG SOFA TECHNOLOGIES GROUP PLC

Group Annual Report and Financial Statements

Year Ended 31 December 2018

Contents

Big Sofa Technologies Group plc

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

Final Results for the Year Ended 31 December 2018

STRATEGIC REPORT

Big Sofa Technologies (AIM:BST), an international video analytics provider to the insight and analytics industries, announces results for the twelve months ended 31 December 2018.

2018 Financial Highlights

- Revenues increased by 29% to £1.7 million (2017: £1.3 million)
- Gross profit increased by 16% to £1.0 million (2017: £0.8 million)
- Operating expenses reduced by 5% to £4.7 million (2017: £4.9 million)
- Programme of annualised cost savings and technology efficiencies initiated during 2018 that are expected to reduce 2019 operating expenses by approximately £1.0 million compared to 2018
- Loss for the year reduced by 13% to £3.4 million (2017: £3.9 million)
- Investments made into Big Sofa Technologies during the year of £4.6 million
    - £3.4 million from Ipsos, a Big Sofa Technologies customer and one of the world's largest market research organisations
    - £0.35 million from current/former directors of Big Sofa Technologies
- Eliminated Company debt through part conversion and repayment of the remaining approximately £0.64 million Eridge Capital Limited convertible loan

2018 Operational Highlights

- Work undertaken for customers including Ipsos, 84.51˚, Target Corporation, Procter & Gamble and a large US-based multinational food and beverage company
- Growing traction with Ipsos, which accounted for approximately one quarter of revenues
- Revenues generated from strategic integration of video into large scale surveys were approximately £0.35 million
- Revenues generated from projects to analyse behaviour at scale were approximately £0.7 million
- Revenues from Big Sofa Technologies' analytics platform (renamed Visual Insight System), which enables clients to upload, store and manage video, were approximately £0.46 million
- Significant platform improvements to stability, scalability, ingestion capacity, machine learning capability and user experience

Board Changes

- Appointed global consumer insight and strategy industry leader, Kirsty Fuller, as Chief Commercial Officer in October 2018 and subsequently as Chief Executive Officer in November 2018 (replacing Simon Lidington who became a Non-Executive Director; Simon will not stand for re-election as a director of the Company at the Annual General Meeting. He will resign with effect from 1 April 2019 but will remain as a consultant)

- Appointed John Haworth, Chief Financial Officer of Ipsos MORI UK, a UK subsidiary of Ipsos and a 20% shareholder in Big Sofa Technologies, as a Non-Executive Director (replacing Laurence Stoclet as Ipsos' Nominated Director)

- Adam Reynolds and Paul Clark stepped down as Non-Executive Directors in May and October 2018 respectively, both in support of efforts to streamline the board while maintaining an appropriate level of governance

Post Year-End Highlights

- Following completion of platform improvement works and through other technology efficiencies, £0.35 million of technology-related annualised cost savings to be achieved in 2019 versus 2018 (part of the £1.0 million of annualised cost savings)

- Successful platform integrations into customer knowledge management systems and complementary technology platforms to facilitate deeper strategic integration at the partner or client level:

    - First Stop Data Shop – system used by Procter & Gamble
    - KnowledgeHound – technology platform for quantitative data and research
    - Ipsos – ongoing integrations across key service lines

Kirsty Fuller, Chief Executive Officer of Big Sofa Technologies, commented:

"My priority on becoming Chief Executive Officer in November 2018 was to initiate a strategic review and identify areas for cost savings. With a significant R&D programme having completed at year-end, I was able to initiate a programme of material annualised cost savings with a restructuring of the entire team, a refocus on streamlined, efficient processes and a sharpening of the selling proposition. As a result, we began 2019 as a stronger, leaner business.

2019 is an important year for Big Sofa Technologies. It sees the Company step forward confidently with a new vision, a new suite of client offerings, and a more robust and exciting technology capability."

CHAIRMAN'S STATEMENT

Big Sofa Technologies continued to build its customer base in 2018. During the year, the Company's clients included Ipsos, 84.51˚, Target Corporation, Procter & Gamble and a large US-based multinational food and beverage company. I draw confidence from the fact that diverse and substantial organisations such as these are engaging with Big Sofa Technologies and our video analytics capabilities.

It is particularly significant that Ipsos, a Big Sofa Technologies customer and one of the world's largest market research organisations, invested an aggregate £3.4 million into the Company during 2018, resulting in its ownership of approximately 20 per cent of the business.

The Company's balance sheet benefitted both from investments of an aggregate £4.6 million during 2018, including from former and current directors, as well as from the elimination of the Company's debt through the part conversion and repayment of the Eridge Capital convertible loan on 31 May 2018.

Several changes were made to the composition of the board of directors during 2018.

On 26 September 2018, we welcomed John Haworth, Ipsos MORI UK's Chief Financial Officer, as a Non-Executive Director. Our teams are working together to raise awareness and increase adoption of our technology and services throughout Ipsos' global organisation. John, who is London-based, replaced Laurence Stoclet, who is Paris-based, as Ipsos' nominated director on the board of Big Sofa Technologies.

Kirsty Fuller was appointed to the board on 1 October 2018 and took over as Chief Executive Officer the following month. Kirsty is a leader in the global consumer insight and strategy industry and is already having a positive impact both on our strategic development and the management of costs. Kirsty replaced Simon Lidington who, having co-founded the business, moved into a Non-Executive Director role from which the Company continues to benefit from his expertise. Simon will not stand for re-election as a director of the Company at the Annual General Meeting. He will resign with effect from 1 April 2019 but will remain as a consultant.

Adam Reynolds and Paul Clark stepped down as Non-Executive Directors on 1 June 2018 and 10 October 2018 respectively, both in support of efforts to streamline the board of directors while maintaining an appropriate level of governance.

I am encouraged by the progress that Big Sofa Technologies continues to make in cultivating relationships with a growing number of large organisations and our deeper customer strategic integrations. I look forward to this positive momentum being continued.

Nicholas Mustoe
Non-Executive Chairman
7 March 2019

OPERATIONAL REVIEW

Strategy

I joined Big Sofa Technologies in October 2018 and took over as Chief Executive Officer the following month. My priority was to initiate a strategic review and identify areas for cost savings. The business had invested significantly in its technology platform architecture in 2018 – a programme which reached completion at the end of the year. With this fundamental R&D programme completed, I was able to initiate a programme of material annualised cost savings with a restructuring of the entire Big Sofa Technologies team, a refocus on streamlined, efficient processes and a sharpening of the selling proposition. This strategic review and implementation resulted in Big Sofa Technologies starting 2019 as a stronger, leaner business.

I see three pillars to our 2019 strategic roadmap:

Strategic integration with key Ipsos service lines

The investment by Ipsos represented a significant milestone in the strategic growth of Big Sofa Technologies. In 2019, there is a commitment to strategic integration programmes with key Ipsos service lines with a focus on the enablement of innovation in research approaches to drive revenue growth. This spans the integration of video and video analytics into survey and community platforms as well as new generation product testing and service evaluation. An invitation to the forthcoming Ipsos Leadership Conference will enable further progression of this agenda.

Visual Insight System

Alongside the Ipsos strategic partnership, the business will be building on its direct-to-client successes, developing a bespoke (and newly named) Visual Insight System (a dynamic, interactive knowledge management system applicable to all sizes of customer) for knowledge sharing, data re-mining and cross-discipline collaboration and connection. In 2018, we completed successful projects for clients including 84.51˚, the consumer insights subsidiary of Kroger, the second largest retailer in the world, Procter & Gamble, and a large US-based multinational food and beverage company. We aim to extend our reach beyond retail and consumer packaged goods into technology and media brands. With improved, interactive functionality being delivered in the first half of 2019, this offering has been renamed Visual Insight System.

Automated data extraction

Large scale data providers are investigating the automated extraction of data from video/film footage at scale. This pushes forward our machine learning roadmap delivered by our R&D function. The applications of this capability span manufacturing processes, healthcare and more. A small pilot was conducted with a potential partner in this space at the end of 2018. This third strategic pillar represents a new revenue stream for 2019 and may take time to build.

Revenues

Ipsos accounted for approximately a quarter of Big Sofa Technologies' revenues in 2018, predominantly derived from projects to strategically integrate video into large scale surveys.

Revenues generated from integration of video into large scale surveys were approximately £0.35 million in 2018.

Revenues generated from projects to analyse behaviour at scale were approximately £0.7 million in 2018. Using artificial intelligence and human-led tools, we transform unstructured content into meaningful and quantifiable data for clients. We completed successful projects of this nature during the year for 84.51˚, Procter & Gamble and a large US-based multinational food and beverage company.

Big Sofa Technologies' analytics platform, which enables clients to upload, store and manage video, generated approximately £0.46 million of revenue in 2018.

The balance of revenues in 2018 was derived from the production of videos for the presentation of client data and consulting fees.

Technology Development and Integration

Throughout 2018, Big Sofa Technologies completed a comprehensive architecture rebuild, creating a more scalable video analytics platform. As a result, the platform:

- ingests and stores significantly higher volumes and file sizes
- enables clients to collate and curate media more easily as well as monitor compliance
- has an improved interface for intuitive navigation and interpretation
- has a smart, automated pipeline for rapid processing and quality checks

Cost Savings

A rolling roadmap of technology improvements will be implemented in an agile and timely manner in 2019 thanks to the platform architecture rebuild of 2018. However, with the substantial platform architecture rebuild completed, the Company will be able to realise, when aggregated with other technology efficiencies, approximately £0.35 million in technology-related annualised expense savings in 2019 compared to 2018. These savings form part of an overall programme of savings across the business in 2019 of approximately £1.0 million compared to 2018. This is the outcome of a thorough strategic review resulting in a streamlining of people and processes.

Outlook

2019 is an important year for Big Sofa Technologies. It sees the Company step forward confidently with a new vision, a new suite of client offerings, and a more robust and exciting technology capability. Our product roadmap combines enhancements to our interface, functionality, machine learning capabilities and overall user experience.

I believe that our three commercial pillars - Ipsos integration, direct-to-client Visual Insight System (from knowledge management to knowledge activation) and automated data extraction (machine learning) - represent a sound strategy for 2019. Combined with a more agile, exciting product roadmap, a fresh visual identity, and a team and office restructuring, we have a strong recipe for success.

Kirsty Fuller

Kirsty Fuller
Chief Executive Officer
7 March 2019

FINANCIAL REVIEW

Summary Financial Performance

	FY 2018	FY 2017	Change
	£'000s	£'000s	%
Revenue	1,680	1,301	+29%
Gross Profit	981	845	+16%
Gross Margin	58%	65%	-11%
Operating expenses	4,654	4,900	-5%
Loss for the year	(3,403)	(3,923)	-13%

Revenues increased by 29 per cent to £1.7 million (2017: £1.3 million), the majority of which continued to come from the US.

Gross profit increased by 16 per cent, reflecting higher revenues, although the gross profit margin dropped from 65 to 58 per cent as we incurred higher initial costs for some of the large-scale behavioural analysis projects in the year. Having incurred set-up costs on these early projects, we do not expect to incur them again and therefore expect the margin to increase in the medium to long term.

Operating expenses reduced by 5 per cent to approximately £4.65 million, as the benefit of annualised cost savings initiated in the latter part of 2018 began to take effect.

Increased revenues and gross profit, combined with reduced expenses, resulted in the loss for the year reducing by 13 per cent to approximately £3.4 million (2017: £3.9 million).

Net cash outflow from operating activities was approximately £2.8 million (2017: £3.0 million). R&D investment (included within 'purchase of intangible assets' in the Consolidated Statement of Cash Flows) was approximately £0.7 million (2017: £0.6 million). In total the Company has invested approximately £1.7 million between 2016–2018 in R&D. This investment has generated cash tax credits from HMRC of approximately £0.1 million in both 2017 and 2018 and £0.15 million in 2019 to date, all in respect of development work undertaken in 2016 and 2017. Additional cash tax credits for development work undertaken in 2018 are expected in 2019.

During the year we continued to invest in our technology platform, to develop new commercial relationships and to deepen existing ones. This has been funded, in part, through raising a total of £4.6 million of additional equity in 2018. This funding also enabled the Company to redeem the unconverted portion of the Eridge Capital Limited convertible loan (approximately £0.64 million). The Company is now debt free.

At the year-end the Company had net assets of approximately £2.0 million (2017: £0.44 million).

Joe MacCarthy
Chief Financial Officer
7 March 2019

PRINCIPAL RISKS AND UNCERTAINTIES

Market Risks	Impact	Mitigation
Brexit	New regulations could add complexity and delays to operations.	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 could increase costs and affect profitability.	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. Any claim brought against us would detract the Company from its business.	The Group engages with IP specialists to ensure we have a strong position. To our knowledge we do not infringe on any patents.

On behalf of the Board

Joe MacCarthy
Chief Financial Officer
7 March 2019

GOVERNANCE

CORPORATE GOVERNANCE REPORT

As Chairman of Big Sofa Technologies Group plc I have overall responsibility for corporate governance and promoting high standards throughout the Company. As well as leading and chairing the Board my responsibilities are to ensure that:

- committees are properly structured and operate with appropriate terms of reference
- the performance of individual directors, the Board and its committees are reviewed on a regular basis
- the Company has a coherent strategy and sets objectives against this; and
- there is effective communication between the Company and its shareholders

The directors of Big Sofa Technologies Group plc believe strongly in the importance of good corporate governance for the creation of shareholder value and engendering trust and support amongst the Company's wider stakeholders.

In March 2018, changes to the AIM Rules required the formal adoption by all AIM companies of a recognised corporate governance code by 28 September 2018. The Directors undertook to take account of the requirements of the QCA guidelines to the extent they consider it appropriate having regard to the Company's size, board structure, stage of development and resources.

In light of the new requirements, the Board decided to formally adopt and adhere to the QCA code (revised in April 2018).

The QCA code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. The directors have considered how they apply each principle to the extent the Board judges these to be appropriate in the circumstances and below we provide an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA code. There were no key governance related matters that occurred during the year.

Nicholas Mustoe

Non-Executive Chairman

Principle Application

Establish a strategy and business model, which promotes long-term value for shareholders

What Big Sofa Technologies does

Big Sofa Technologies is a business to business technology company that provides video analytics. Big Sofa Technologies' scalable proprietary, cloud-based platform enables users to ingest, manage, search and perform detailed analysis of video, images and audio content. The platform then transcodes and, where appropriate, transcribes the data into a structured, downloadable archive of content.

By enabling users to isolate and interrogate specific moments of video based on what is being said or done at that point, the platform turns video into a source of mineable data that can be manipulated and used for understanding and insight.

The Company's proprietary technology has a number of applications within the consumer insight and wider data analytics markets as a route to initial value creation. The Company's programme of technological research and development is intended to build long-term shareholder value through creating additional functionality on the platform to be able to deliver additional value and insight to customers, for which the Company charges a combination of project fees, consultancy fees and license fees. The platform has been developed in a way to allow it to do so at ever increasing scale.

Where Big Sofa Technologies focuses its efforts

The Group invests its efforts and financial resources in technical development and consultancy, and business development. These include:

- investment in direct technical development enables the Group to advance its platform's capabilities;
- investment in new technical approaches using key technologies (e.g. transcription, translation) that enable more efficient workflow and better value for customers;
- consultancy services associated with the technology revenue and customer experience of the platform; and
- business development and support resources that help maximise the opportunities presenting themselves across global organisations, which are the company's main client focus. These businesses tend to have a complex combination of centralised and distributed buying points, as well as user support needs. Big Sofa Technologies aims to embed its technology in these clients, starting with adoption through initial project work. The company targets large multi-nationals because of their global scale, their sizable budgets and their systematic adoption of technologies they have trialled and approved.

How the Company has been funded and its route to profitability to deliver shareholder value

The Company has utilised its public listing as a means to source capital to support its growth; having invested heavily in the development of the technology platform and engaged a blue-chip customer base, the company has now been able to reduce its cost base. From this lower cost base, the Company aims to grow revenue and gross profit on its path to being profitable and cash generative, thus delivering organic shareholder value.

Seek to understand and meet shareholder needs and expectations

The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are clearly understood. Between the Chairman and the Executive Directors an open and regular dialogue is maintained with the Company's major shareholders.

At present, the following shareholders own 3% or more of the Company's issues shares:

Shareholder Holdings (3% or above as at 7 March 2019)

Ipsos MORI UK Ltd	19.86%
Simon Lidington (Director)	7.41%
Nicholas Mustoe (Director)	4.98%
Steven Metcalfe (Director)	3.96%

More generally the Board communicates with shareholders through the Annual Report and the Interim Statement, trading updates and other announcement made on RNS, in addition to the Annual General Meeting where the Board encourages investors to participate. The Company also maintains a website, www.bigsofatech.com, which contains information on the Company's business and corporate information.

Existing and prospective shareholders are able to separately contact the Company via email as detailed on the Company's website. Periodic meetings are held with existing and prospective institutional and other investors.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Big Sofa Technologies is a small company which uses the application of cutting-edge computer science and technology to aid data analytics. The Company has a number of key internal and external stakeholders, including its employees, customers, suppliers, shareholders and regulators.

The Company continues to develop a versatile, scalable technology platform used by customers with a variety of end-use requirements. It is currently focused on blue-chip multinationals primarily in the consumer insight industries – either brand clients or market research agencies - and they are likely to use it to capture and analyse the behaviours of individuals. Ensuring the appropriate technological development which addresses clients' needs and meets strict data security requirements is key to the long-term success of the Company. Throughout the various stages from initial technology identification to eventual product sales the Company is engaged in a continual process of feedback, improvement and product design with its stakeholders.

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Ultimate responsibility for the process by which risk in the business is managed rests with the Board. The Company's internal risk identification and management process is as follows:

- the executive team prepares and reviews on a periodic basis the risk register for the Company. The framework for this review is the ISO/IEC27001 information security standard under which the Company is assessed annually. The risk register (which also encompasses the Health and Safety risk register) details specific risks to the Company, the quantification of those risks in terms of probability and impact, mitigating actions required to manage these risks and the control mechanisms that are in place to monitor the risks;
- the risk register assigns responsibility for each risk and the mitigation plan to one or more members of the management team; and
- the risk register is circulated to the Company's audit committee at least annually. Any urgent or important items are raised with the Board to be discussed at Board meetings or otherwise as appropriate.

Maintain the Board as a well-functioning, balanced team led by the chair

The Board's primary role is to enhance shareholders' long-term interests by:

- determining the Company's overall strategy and direction;
- establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Company operates efficiently;
- ensuring effective corporate governance;
- approving budgets and reviewing performance relative to those budgets;
- approving financial statements;
- approving material agreements and non-recurring projects; and
- approving senior and board appointments.

Nicholas Mustoe and Steven Metcalfe, both Non-Executive directors, are considered to be independent of the management and are free to exercise independence of judgement. John Haworth, by virtue of his position as Chief Financial Officer of Ipsos MORI UK, a UK subsidiary of Ipsos Group and the Company's largest shareholder is not considered to be an independent director. Simon Lidington, by virtue of his recent management of the business, his role as founder and his significant shareholding is not considered to be independent.

The Non-Executive directors are required to commit sufficient time as is necessary, approximately two days per month, to fulfil their obligations. Routine commitments include preparation for and attendance at board and committee meetings. In addition, the Non-Executive directors engage in ad-hoc dialogues with members of the executive team, shareholders and other stakeholders as required.

All Directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation.

The table below details the attendance record of each director at board meetings during the course of the year.

	Attendees									
	Nicholas Mustoe	Steven Metcalfe	Adam Reynolds	Paul Clark	Laurence Stoclet	John Haworth	Simon Lidington	Joe MacCarthy	Matt Lynch	Kirsty Fuller
	Chairman	Independent NED	Independent NED	Independent NED	NED	NED	CEO / NED	CFO	CSO	CEO
Appointed					9 March	26 September				
Resigned			1 June	10 October	21 September					
Total meetings eligible to attend	**12**	**12**	**6**	**10**	**4**	**5**	**12**	**12**	**12**	**3**
Total meetings attended	**12**	**12**	**3**	**9**	**2**	**5**	**11**	**12**	**12**	**3**

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

As at 31 December 2018 and as at the date of this Report the Board comprises seven directors in total: an Independent Non-Executive Chairman, three Executive Directors and three Non-Executive Directors (Steven Metcalfe being independent), reflecting a blend of different experiences and backgrounds. The skills and experience of the Board are set out in their biographical details below. The experience and knowledge of each of the directors give them the ability to challenge strategy constructively and to scrutinise performance. All directors receive regular updates and relevant training to the business and these rules. This is provided in-house and by external providers as appropriate.

Nicholas Mustoe, Independent Non-Executive Chairman

Appointed as Director and Chairman in December 2016; Chair of the Audit Committee and the Remuneration Committee.

Nicholas is an experienced chairman of small, quoted companies. He has been involved in supporting many start-up companies starting with funding Hall and Partners (research) in 1992, Caravell (industrial refrigeration), ABC Connection (on-line publishing and software), and; Sosandar (fashion label) amongst others.

He started his career in 1981 working for London advertising agencies Foote Cone and Belding before starting his own agency Mustoe Merriman Levy (Mustoes) in 1993. During his career he has managed a number of blue-chip client accounts including Unilever, Coca Cola and Bauer Publishing.

Currently, Nicholas is the executive chairman and principal shareholder of advertising and PR agency, Kindred. He also has a number of non-executive roles, including acting as Chairman of Starlight Children's Foundation and as a director of AIM-quoted companies Sosander plc and Yourgene Health plc

Time commitment: at least two days per month.

Kirsty Fuller, Chief Executive Officer (CEO)

Appointed as Director in October 2018 and CEO in November 2018.

Kirsty is a leader in the global consumer insight and strategy industry having co-founded the Flamingo Group. Flamingo, which was acquired by Omnicom in 2006, grew under her leadership as co-CEO and latterly CEO to become one of the largest specialist qualitative research agencies in the world, with a network of eight offices on four continents, employing 340 staff.

Kirsty's focus throughout her career has been on raising the contribution of context-informed consumer insight to business and brand success. She has been instrumental in integrating innovative methods as the insight industry has evolved. Kirsty has worked around the world with leading blue-chip companies including Unilever, PepsiCo, Diageo, Sony and Visa.

Time commitment: full-time.

Joe MacCarthy, Chief Financial Officer (CFO)

Appointed as Director, CFO and Company Secretary in December 2016.

Joe is an experienced accountant, having started his career with PricewaterhouseCoopers. For more than a decade he worked 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.

Time commitment: full-time.

Matt Lynch, Chief Strategy Officer

Appointed as Director and CSO in December 2016.

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); in working alongside global agencies; and in collaborating with tech partners of all sizes. His role at Big Sofa Technologies is to lead the Company's strategic direction and to ensure that the business constantly innovates to deliver maximum client value.

Time commitment: full-time.

Steven Metcalfe, Independent Non-Executive Director

Appointed as Director in December 2016; Chair of the Insider Committee.

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 the management buyout and then subsequent sale to Religare Capital Markets. For the last seven years, he has been involved with institutions, hedge funds and high net worth individuals 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 and has set up a consultancy business that advises small and medium sized enterprises on finance, strategy and growth within their chosen area.

Time commitment: at least two days per month.

John Haworth, Non-Executive Director

Appointed as Director in September 2018.

John is Chief Financial Officer of Ipsos MORI UK, a UK subsidiary of Ipsos Group, one of the world's largest market research organisations and a 20% shareholder in the Company. Prior to joining Ipsos MORI UK, John held various global and European chief financial officer positions within the Kantar Group, one of the world's largest insight, information and consultancy groups. He has a successful track record of over 20 years of helping businesses to grow, ranging from divisions of FTSE 100 groups to small and medium-sized enterprises.

Time commitment: at least two days per month.

Simon Lidington, Non-Executive Director

Appointed as CEO in December 2016, then Non-Executive director in November 2018.

Over the last 40 years, Simon has worked across many sectors and built enduring relationships at senior levels with many blue-chip clients including Volkswagen Group, Coca Cola, and Barclays. Simon 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 Technologies with Matt Lynch.

Simon has a BA Honours 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 and a Fellow of the RSA.

Time commitment: full-time

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The core of the current board was established as part of the Company's preparation for admission to AIM in December 2016, with John Haworth joining as Ipsos' nominated director in September 2018 replacing Laurence Stoclet who previously joined the Board after Ipsos' investment in the business in March 2018. It brings together the requisite skills and experience to target the Company's objectives, with a focus on this initial growth stage. Whilst board effectiveness has been subject to informal discussions amongst the directors the Board has yet to formally review its performance but will do so through the course of the current financial year with evaluation criteria to be set as part of this review. This will be an internal review managed by the Chairman. The review is expected to be repeated on an annual basis.

The Board's approach to succession planning is based upon identifying the medium to long term objectives of the Company and matching these with the competence of directors and senior managers. The Board will seek to identify potential gaps and recruit to fill these allowing a sufficient lead time.

Promote a corporate culture that is based on ethical values and behaviours

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximising shareholder value. The Board considers this particularly relevant to the Company in light of the intended use of its technology (which includes the processing and analysis of personal data).

The executive team engenders open and positive interactions with a key focus on innovation, creative solutions and collective responsibility. These cultures are fostered throughout the business.

The Company's policies set out its zero-tolerance approach towards any form of modern slavery, discrimination or unethical behaviour relating to bribery, corruption or business conduct.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Alongside setting the vision and strategy for the Company the Board is responsible for ensuring that the business is managed for the long-term benefit of all shareholders whilst having regard for internal and external stakeholders, including employees, customers and suppliers.

The Board is responsible to the shareholders for the proper management of the Group and meets typically bi-monthly to set the overall direction and strategy for the Group and to review operational and financial performance. The Board has also convened, when necessary, by telephone conference during the year to review the strategy and activities of the business. All key operational and investment decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with. The number of meetings attended by each director can be found on page 14.

There is a clear separation of the roles of Chief Executive Officer (CEO) and Non-Executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision making and ensuring the non-executive directors are properly briefed on matters.

The CEO provides coherent leadership and management of the Company, leads the development of objectives, strategies and performance standards as agreed by the Board, ensures that the assets of the Company are maintained and safeguarded; and leads on investor relations activities to ensure communications and the Company's standing with shareholders and financial institutions is maintained.

The Non-Executive Directors contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the Executive Directors and ensure that the Company is operating within the governance and risk framework approved by the Board.

The Company Secretary is responsible for providing clear and timely information flow to the Board and its committees and supports the Board on matters of corporate governance and risk. This role is currently filled by the Company's CFO. The Board acknowledges the QCA guidelines on this matter and considers the joint roles appropriate for the Company's size. The Company Secretary has direct access to the Chairman on matters of corporate governance.

The Board defines a series of matters reserved for its decision and has approved terms of reference for its audit, remuneration and insider committees to which certain responsibilities are delegated. The chair of each committee reports to the Board on the activities of that committee.

Matters reserved for the Board are:

- determining the Company's overall strategy and direction;
- establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Company operates efficiently;
- ensuring effective corporate governance;
- approving budgets and reviewing performance relative to those budgets;
- approving financial statements;
- approving material agreements and non-recurring projects; and
- approving senior and Board appointments.

The Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Company. As well as leading and chairing the Board, the Chairman's responsibilities are to ensure:

- committees are properly structured and operate with appropriate terms of reference;
- the performance of individual directors, the Board and its committees are reviewed on a regular basis;
- the Company has a coherent strategy and sets objectives against this; and
- there is effective communication between the Company and its shareholders.

<u>Audit Committee</u>

The Audit Committee is responsible for:

- reviewing the annual financial statements and interim reports prior to approval by the Board;
- reviewing and considering reports on internal financial controls, including reports from the auditors;
- considering the appointment of the auditors and reviewing the relationship with the auditors, including reviewing and monitoring independence and objectivity;
- reviewing the consistency of accounting policies; and
- considering any proposed related party transaction.

The Audit Committee can call for information from the executive team and consults with the external auditors directly when appropriate or when they are required to do so.

The Remuneration Committee

The Remuneration Committee reviews and determines on behalf of the Board the pay, benefits and other terms of service of the Executive Directors of the Company. In addition, the committee oversees the creation and implementation of all employee share plans.

The Insider Committee

The Insider Committee is responsible for:

- monitoring and ensuring compliance with the Company's Market Abuse Regulation dealing policy;
- reviewing the classification of employees, directors and key consultants as regards clearance requirements; and
- reviewing and approving or rejecting as appropriate all requests for dealings in shares in the Company.

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

In addition to the investor relations activities described above, the following committee reports are provided:

The Audit Committee met once during the course of the year. It comprised of Nicholas Mustoe (Chair) and Steven Metcalfe (and Adam Reynolds at the time of the meeting). The Committee met with the external auditors prior to the approval of the annual accounts. Consideration was given to the auditors' pre and post audit reports and these provided opportunities to review the accounting policies, internal controls and the financial information contained within both the annual and interim reports. The Committee engaged the external auditors for a review of the interim statement prior to its release.

The Remuneration Committee met once during the course of the year. It is comprised of Nicholas Mustoe, Adam Reynolds (who has been replaced by Steven Metcalfe), and Paul Clark. Remuneration packages for the executive directors comprise a basic salary and performance related bonus. There is a compulsory government pension contribution scheme in place for all directors and employees. In addition, directors and employees participate in a share option long-term incentive plan.

The structure of the remuneration packages was established ahead of the Company's IPO in December 2016 and agreed as remaining appropriate. In setting remuneration, the committee took into consideration the compensation packages of comparable AIM listed companies. Since the Company's IPO no bonuses have been paid. New share option awards were made in 2016, 2017 2018 and 2019.

The Insider Committee, comprised Steven Metcalfe (Chair) and Nicholas Mustoe, met three times during the course of the year to review the Company's insider lists and review and approve requests for dealing in shares in the Company.

For information regarding the voting of shareholders at general meetings of the Company please see the Investors section of the website

DIRECTORS' REPORT

The directors present their report and the audited financial statements for Big Sofa Technologies Group plc for the year ended 31 December 2018.

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 (2017: £nil).

Directors and Directors' interests

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

Paul Clark (resigned 10 October 2018)
Laurence Stoclet (appointed 9 March 2018; resigned 21 September 2018)
Adam Reynolds (resigned 1 June 2018)
Joe MacCarthy
Simon Lidington
Matt Lynch
Steven Metcalfe
Nicholas Mustoe
John Haworth (appointed 26 September 2018)
Kirsty Fuller (appointed 1 October 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	3,930,403	2.83%
Joe MacCarthy	70,588	0.05%
Paul Clark	2,562,921	1.85%
Simon Lidington	10,286,026	7.41%
Matt Lynch	4,121,470	2.97%
Steven Metcalfe	5,497,772	3.96%
Nicholas Mustoe	6,908,449	4.98%
Kirsty Fuller	3,275,702	2.36%
Laurence Stoclet	-	-
John Haworth	-	-

Directors' share options and warrants

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

	Options/ Warrants at 01/01/18	Granted	Options at 31/12/18	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
Nicholas Mustoe	1,276,944	-	1,276,944	19/12/16	£0.17	19/12/17 -19/12/26
Kirsty Fuller	-	-	-	-	-	-
John Haworth	-	-	-	-	-	-
Laurence Stoclet	-	-	-	-	-	-

	Options/ Warrants at 01/01/18	Granted	Options at 31/12/18	Date of Grant	Exercise Price	Earliest & latest date of exercise
Adam Reynolds	-	-	-	-		-
Joe MacCarthy	-	411,765	411,765	02/01/18	£0.17	02/01/18 -02/01/28
Paul Clark	-	-	-	-	-	-
Simon Lidington	-	411,765	411,765	02/01/18	£0.17	02/01/18 -02/01/28
Matt Lynch	-	308,824	308,824	02/01/18	£0.17	02/01/18 -02/01/28
Steven Metcalfe	-	-	-	-	-	-
Nicholas Mustoe	-	-	-	-	-	-
Kirsty Fuller	-	-	-	-	-	-
John Haworth	-	-	-	-	-	-
Laurence Stoclet	-	-	-	-	-	-

	Options/ Warrants at 01/01/18	Granted	Options at 31/12/18	Date of Grant	Exercise Price	Earliest & latest date of exercise
Adam Reynolds	-	-	-	-		-
Joe MacCarthy	-	38,095	38,095	02/01/18	£0.13125	19/12/18 -02/01/28
Paul Clark	-	-	-	-	-	-
Simon Lidington	-	38,095	38,095	02/01/18	£0.13125	19/12/18 -02/01/28
Matt Lynch	-	38,095	38,095	02/01/18	£0.13125	19/12/18 -02/01/28
Steven Metcalfe	-	-	-	-	-	-
Nicholas Mustoe	-	-	-	-	-	-
Kirsty Fuller	-	-	-	-	-	-
John Haworth	-	-	-	-	-	-
Laurence Stoclet	-	-	-	-	-	-

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 2018 £	31 December 2017 £
Adam Reynolds	15,000	41,521	-	-	56,521	102,336
Joe MacCarthy	92,775	75,579	27,000	1,737	197,091	182,616
Paul Clark	55,000	-	-	-	55,000	30,000
Simon Lidington	135,662	22,278	1,944	2,313	162,197	164,169
Matt Lynch	138,995	17,946	1,944	560	159,445	152,998
Steven Metcalfe	30,000	41,521	-	-	71,521	102,336
Nicholas Mustoe	30,000	49,825	-	-	79,825	79,843
Kirsty Fuller	37,500	-	-	-	37,500	-
John Haworth	-	-	-	-	-	-
Laurence Stoclet	-	-	-	-	-	-
	534,932	248,670	30,888	4,610	819,100	814,298

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

On 5 February 2019, all existing share options were cancelled and re-issued with an exercise price of £0.035.

The following new options were issued to directors:

	Granted	Date of Grant	Exercise Price	Earliest & latest date of exercise
Adam Reynolds	-	-		-
Joe MacCarthy	2,500,000	05/02/19	£0.035	19/12/19 -19/12/26
Paul Clark	-	-	-	-
Simon Lidington	-	-	-	-
Matt Lynch	3,500,000	05/02/19	£0.035	19/12/19 -19/12/26
Steven Metcalfe	-	-	-	-
Nicholas Mustoe	-	-	-	-
Kirsty Fuller*	7,500,000	05/02/19	£0.035	19/12/19 -19/12/26
John Haworth	-	-	-	-
Laurence Stoclet	-	-	-	-

*These options vest in three equal tranches on 19 December 2019, 19 December 2020 and 19 December 2021

The above options may only be exercised if the volume weighted average share price on a 28-day rolling basis prior to the date of exercise is at least £0.06 per share.

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 £973,000 of which £740,000 capitalised and £233,000 (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. Further detail on this can be found In Note 2.

Substantial shareholdings

The Company has been advised of the following interests in more than 3% of its ordinary share capital as at 7 March 2019:

	%
Ipsos MORI UK Limited	19.86
Simon Lidington	7.41
Nicholas Mustoe	4.98
Steven Metcalfe	3.96

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
Chief Financial Officer
7 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 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 2018 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 2018 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.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements which explains that the Group has incurred significant operating losses and negative cash flows from operations. These events or conditions, along with other matters as set out in note 2 indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 £739,849 (31 December 2017: £559,889) in relation to the platform and process improvements. These capitalised costs are being amortised over two 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 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 agreed a sample of the internal staff costs capitalised to supporting calculations, time records and payroll calculations. We found no material exceptions in our testing.
Correct calculation of options and warrants The share option charge for the year is £265,978 (31 December 2017: £303,850). 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.

Going concern assumption The Group is dependent upon its ability to generate sufficient cash flows to meet continued operational costs and hence continue trading. The going concern assumption is dependent on future growth of the current business along with future acquisitions to grow the scale of the business and future capital raises.	Management's going concern forecasts include a number of assumptions related to future cash flows and associated risks. Our audit work has focused on evaluating and challenging the reasonableness of these assumptions and their impact on the forecast period. Specifically we obtained, challenged and assessed management's going concern forecast and performed procedures including: • Verifying the consistency of key inputs relating to future costs and production to other financial and operational information obtained during the audit; • Performing sensitivity analysis on managements "base case", including applying downside scenarios such as lower sales prices, reduced production and restricted growth and considering the mitigating actions highlighted by management in the event that they were required.

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	£169,000 (31 December 2017: £158,000).	£47,000 (31 December 2017: £69,000).
How we determined it	Based on the 5% of loss before tax.	Based on 10% of loss before tax.
Rationale for benchmark applied	We believe that profit before tax is a primary measure used by shareholders in assessing the performance of the Group. This is a generally accepted audit benchmark.	We believe that profit before tax is a primary measure used by shareholders in assessing the performance of the Group. This is a generally accepted audit benchmark.

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 £47,000 and £149,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £8,450 (Group audit) (31 December 2017: £7,900) and £2,350 (Company audit) (31 December 2017: £3,450) 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 81% of the Group's revenue and 78% 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 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 25, 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.

Sanjay Parmar (Senior Statutory Auditor)

For and on behalf of Jeffreys Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London EC1V 9EE

7 March 2019

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue from contracts with customers	4	1,680	1,301
Cost of sales		(699)	(456)
Gross profit		981	845
Administrative expenses		(4,654)	(4,900)
Operating loss	**5,6**	**(3,673)**	**(4,055)**
Finance expenses	7	(28)	(71)
Loss before income tax		**(3,701)**	**(4,126)**
Tax credit	8	298	203
Loss for the year		**(3,403)**	**(3,923)**
Exchange differences on re-translating foreign operation		**(87)**	**34**
Total comprehensive loss		**(3,490)**	**(3,889)**
Attributable to owners of the parent:		**(3,490)**	**(3,889)**
Loss per ordinary share in respect of continuing activities - basic and diluted (pence)	9	(3.75)p	(6.62)p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Property, plant and equipment	10	40	58
Intangible assets	11	739	545
Total non-current assets		**779**	**603**
Current assets			
Trade and other receivables	12	1,069	608
Contract assets	4	128	277
Cash and cash equivalents	13	816	376
Total current assets		**2,013**	**1,261**
Total assets		**2,792**	**1,864**
Current liabilities			
Trade and other payables	14	653	664
Contract liabilities	4	126	52
Loans and borrowings	15, 16	-	705
Total current liabilities		**779**	**1,421**
Total liabilities		**779**	**1,421**
Net assets		**2,013**	**443**
Share capital	17	4,163	1,954
Share premium account	17	9,545	6,969
Reverse acquisition reserve	17	(2,881)	(2,881)
Merger relief reserve	17	2,501	2,501
Other reserves	17	620	467
Accumulated deficit	17	(11,935)	(8,567)
Total equity		**2,013**	**443**

These financial statements were approved and authorised for issue by the board of directors on 7 March 2019 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 2017	**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**
Loss for the year	-	-	-	-	-	(3,403)	(3,403)
Issue of shares	2,209	2,672	-	-	-	-	4,881
Cost of share issue	-	(74)	-	-	-	-	(74)
Issue of share options	-	-	-	-	266	-	266
Issue of warrants		(22)	-	-	22	-	-
Foreign currency translation	-	-	-	-	(87)	-	(87)
Convertible loan redemption	-	-	-	-	(48)	35	(13)
Equity as at 31 December 2018	**4,163**	**9,545**	**(2,881)**	**2,501**	**620**	**(11,935)**	**2,013**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities		
Loss before taxation	(3,701)	(4,126)
Adjustments for:		
Depreciation and amortisation	563	538
Payment of director fees with share issue	63	50
Finance expenses	28	71
Profit on disposal of property, plant and equipment	(3)	-
Share option charge	266	304
Foreign exchange gains	(96)	-
Operating loss before working capital changes	**(2,880)**	**(3,163)**
Changes in working capital		
Increase in trade and other receivables	(140)	(319)
Increase in trade and other payables	63	289
Cash (used in) / generated by operations	**(2,957)**	**(3,193)**
Tax received	126	160
Net cash (outflow) / inflow from operating activities	**(2,831)**	**(3,033)**
Investing activities		
Purchase of property, plant and equipment	(42)	(59)
Purchase of intangible assets	(740)	(577)
Proceeds from disposal of property, plant and equipment	46	10
Net cash flows used in investing activities	**(736)**	**(626)**
Financing activities		
Issue of ordinary shares	4,645	1,500
Interest paid on loans and borrowings	(6)	(3)
Repayment of Convertible loans	(639)	-
Net proceeds from issue of convertible loans	-	-
Net cash flows from financing activities	**4,000**	**1,497**
Net change in cash and cash equivalents	**433**	**(2,162)**
Cash and cash equivalents at the beginning of the period	376	2,538
Effects of exchange rate changes on cash and cash equivalent	7	-
Cash and cash equivalents at the end of the period	**816**	**376**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

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 2018. 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 2018 including IFRS 15 and IFRS 9. 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 2018, 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 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 23 "Uncertainty over Income Tax Treatments", effective date 1 January 2019 clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

- IFRS 17 "Insurance Contracts", effective date 1 January 2021 applies a model that combines a current balance sheet measurement of insurance contracts with recognition of profit over the period that services are provided.

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.

The Group forecasts include additional funding requirements upon which the Group is dependent. The directors are satisfied that these funding requirements will be met. Additionally, in the event that the Group fails to meet its revenue predictions, the directors have outlined cost saving measures that will ensure there are enough funds to operate for at least the next twelve months. The directors are satisfied that this can be achieved.

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. Nevertheless, the directors acknowledge that there is material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

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

The Company prices tactically to foster adoption with its target market of global blue-chip customers, but with a focus on overall margin. Across the product suite, Big Sofa Technologies' revenues are derived from four key areas.

- **Video data capture:** relating to the setup and installation of proprietary hardware for clients, recruitment and study-setup.
- **Video data upload and processing:** relating to platform setup, receipt of data, transcoding, translation and transcription, data ingestion, data analysis and processing.
- **Platform analytics, access and secure hosting:** relating to curation, collation, data wrangling, machine learning applications, data science; secure SSO platform access, storage and hosting in secure environments compliant with local data protection laws.
- **Tech consultancy (spanning integration, insight, and video consultancy):** applications, integrations, tech consultancy, strategic and brand consultancy, video production (mostly as a video deliverable of insight and analysis provided by video data on the platform).

The weighting of these and pricing of these services (which drives the revenue recognition) depends on the service level required by the client, and on the commercial imperatives and pricing sensitivities of the client.

The contractual performance obligations will typically be embedded in an agreement with the client. Where that agreement is detailed, the revenue recognition will follow the allocation of fees and revenues against the completion of the agreed performance milestones in the accounting period. Where the agreement is not specific, the revenue recognition will be in proportion to the completion of performance milestones in the relevant accounting period against the internal costings prepared in advance for each project.

i) Video data capture – revenue Is recognised as an activity is undertaken in relation to the set-up and installation of hardware, including the design of the data-capture methodology. This is an upfront activity and is recognised in proportion to the anticipated time costs associated with the relevant activity as a proportion of the time-costs and consultancy associated with the overall project.

ii) Video data upload and processing: revenue is recognised in proportion to the number of hours processed during the relevant accounting period as a proportion of total hours agreed to be processed per the sales agreement.

iii) Platform analytics, access and secure hosting: this is based on a licence or access fee based on hours of video to be analysed and hosted on the platform, with block fees for additional users and duration of access. These fees are recognised In line with the contractual licence period.

iv) Tech consultancy: this is charged on a day-rate basis and is recognised in proportion to the time spent in line with the internally budgeted workplans for an individual project. In the case of video deliverables, these may be charged on a volume basis (e.g. minutes of video required).

Critical judgements in allocating the transaction price

The performance obligations of each sales agreement are established and it is estimated what proportion of the total sales price should be allocated to the completion of each performance obligation. Revenue is then recognised in line with the performance obligations that are completed within the accounting period.

No adjustments were required on the adoption of IFRS 15

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

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

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 Technologies has sufficient resources to complete the project;
- Big Sofa Technologies 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.

The useful life of development costs is 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 Technologies' 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 Statement of Financial Position.

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 the statement of profit or loss, 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, as well as the recognition of revenue, within the next financial year are discussed below:

- **Recognising appropriate revenue in line with performance obligations**

Management identifies the performance obligations associated with each contract and then exercises judgement to establish an appropriate percentage of the total transaction price to recognise once each identified performance obligation is successfully completed.

- **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 useful life of capitalised development costs is 2 years.

- **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 18 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 2018**	**31 December 2017**
	£'000	**£'000**
Trade and other receivables	1,069	608
Contract assets	128	277
Cash and cash equivalents	816	376
Total current financial assets	**2,013**	**1,261**

Financial liabilities	**31 December 2018**	**31 December 2017**
	£'000	**£'000**
Trade and other payables	653	664
Contract liabilities	126	52
Loans and borrowings	-	705
Total current financial liabilities	**779**	**1,421**

Fair value hierarchy

All the financial assets and financial liabilities recognised 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 Technologies' 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 Technologies' 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:

	2018 Within 1 year £'000	2017 Within 1 year £'000
Trade and other payables	653	664
Contract liabilities	126	52
Loans & borrowings	-	705
	779	1,421

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. Revenue from contracts with customers

The directors have reviewed the revenue from contracts from customers and have determined that there is no material distinction in how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors in both the current and prior year, and therefore revenue has not been disaggregated.

Amounts related to contracts with customers are presented in the statement of financial position as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Assets related to contracts with customers	128	277
Liabilities related to contracts with customers	(126)	(52)

5. Loss from operations

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss is stated after charging:		
Audit fees – current Group's auditors	17	24
Other services:		
Audit fees – subsidiary	8	10
Non-audit fees	2	11
Non-audit fees – taxation advisory and compliance services of previous auditors	15	-
Depreciation of property, plant and equipment	17	23
Amortisation of intangible assets	546	515
Legal and professional fees	324	299
Staff costs	3,917	3,695
Capitalised R&D costs	(740)	(560)
Operating lease rentals	85	179
Foreign exchange (gains) / losses	(96)	69
Other Costs	559	635
Total Administration expenses	4,654	4,900

6. Employees and directors

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

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Directors	7	6
Administrative	25	15
	32	21
Research and development	12	10
Total	**44**	**31**

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Salaries	2,355	2,376
Social security costs	263	243
Other staff costs	891	606
Director fees	142	166
Share-based payments	266	304
Staff costs including R&D staff	**3,917**	**3,695**

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Highest paid Director	**197**	**183**

7. Finance income and expenses

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Finance expenses		
Interest payable on convertible loans	(22)	(58)
Other finance fees	(6)	(13)
Total finance expenses	**(28)**	**(71)**

8. Tax credit

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
The tax credit is as follows:		
UK Corporation tax		
Tax credit – 2018	211	-
– 2017	51	185
– 2016	36	18
Total current tax	298	203
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax credit	298	203

The current corporation tax credit for year ended 31 December 2018 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 2018 £'000	**Year ended 31 December 2017 £'000**
Loss on ordinary activities	(3,701)	(4,126)
Standard rate of corporation tax	19%	19%
Loss before tax multiplied by the standard rate of corporation tax	(703)	(794)
Effects of:		
Losses carried forward	479	407
Non-deductible expenses	225	397
Accelerated depreciation	-	-
Accelerated capital allowances	(1)	(1)
Amortisation	-	99
Additional deduction for R&D expenditure	-	(108)
R&D tax credit claimed	(298)	(203)
Tax credit	(298)	(203)

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 £384,000 at 31 December 2018 (2016: £72,000) 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.

9. Earnings per share

	Year ended 31 December 2018	**Year ended 31 December 2017**
Basic and diluted		
Loss for the period and earnings used in basic & diluted EPS (£)	(3,403,214)	(3,923,453)
Weighted average number of shares used in basic and diluted EPS	90,737,694	59,301,048
Loss per share (pence)	(3.75)	(6.62)

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.

10. Property, plant and equipment

	Plant & Equipment £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost			
At 31 December 2016	**48**	**3**	**51**
Additions	34	25	59
Disposals	(10)	-	(10)
At 31 December 2017	**72**	**28**	**100**
Additions	42	-	42
Disposals	(31)	(28)	(59)
At 31 December 2018	**83**	**-**	**83**
Depreciation			
At 31 December 2016	**21**	**1**	**22**
Depreciation	17	6	23
Disposals	(3)	-	(3)
At 31 December 2017	**35**	**7**	**42**
Depreciation	16	1	17
Disposals	(8)	(8)	(16)
At 31 December 2018	**43**	**-**	**43**
Net book value			
At 31 December 2017	**37**	**21**	**58**
At 31 December 2018	**40**	**-**	**40**

11. Intangible assets

	Development costs £'000	Software £'000	Total £'000
Cost			
At 31 December 2016	**2,121**	**-**	**2,121**
Additions	560	17	577
At 31 December 2017	**2,681**	**17**	**2,698**
Additions	740	-	740
At 31 December 2018	**3,421**	**17**	**3,438**
Amortisation			
At 31 December 2016	**1,638**	**-**	**1,638**
Charge for the year	509	6	515
At 31 December 2017	**2,147**	**6**	**2,153**
Charge for the year	537	9	546
At 31 December 2018	**2,684**	**15**	**2,699**
Net book value			
At 31 December 2017	**534**	**11**	**545**
At 31 December 2018	**737**	**2**	**739**

12. Trade and other receivables

	31 December 2018 £'000	31 December 2017 £'000
Trade receivables	570	332
Prepayments	65	54
Other receivables	357	194
VAT receivable	77	28
Total trade and other receivables	**1,069**	**608**

13. Cash and cash equivalents

	31 December 2018 £'000	31 December 2017 £'000
Cash at bank and in hand	816	376

14. Trade and other payables

	31 December 2018	31 December 2017
	£’000	**£’000**
Trade payables	402	403
Accruals	174	149
Social security & other taxes payable	70	106
Other payables	7	6
Total trade and other payables	**653**	**664**

15. Loans and borrowings

	31 December 2018	31 December 2017
	£’000	**£’000**
Current		
Convertible loans	-	705
Total loans and borrowings	-	705

16. Convertible loans

Big Sofa Technologies Limited (“the subsidiary”) obtained loans totalling £675,000 during 2016. These loans were convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 31 December 2018. The conversion rate was £0.17 per share.

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 was subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds was allocated to the conversion option and recognised in shareholders’ equity, net of income tax, and not subsequently remeasured.

On 31 May 2018, the Company repaid £639,000 (including rolled up interest) of a convertible loan to Eridge Capital Limited. In addition, Eridge elected to convert £100,000 of their loan into 588,235 shares in the Company at a conversion price of 17 pence per share. As a result of this, the Company is now debt free.

17. 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 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 year	-	-	-	-	-	(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**
At 1 Jan 2018 of 0.03	65,131,480	1,954	6,969	2,501	(2,881)	(8,567)	467	443
Issue of shares	73,619,212	2,209	2,672	-	-	-	-	4,881
Cost of share issue	-	-	(74)	-	-	-	-	(74)
Loss for the year	-	-	-	-	-	(3,403)	-	(3,403)
Issue of share options	-	-	-	-	-	-	266	266
Issue of warrants	-	-	(22)	-	-	-	22	-
Foreign currency translation reserve	-	-	-	-	-	-	(87)	(87)
Redemption of convertible loan	-	-	-	-	-	35	(48)	(13)
At 31 Dec 2018	**138,750,692**	**4,163**	**9,545**	**2,501**	**(2,881)**	**(11,935)**	**620**	**2,013**

On 04 January 2018, 477,100 ordinary shares of £0.03 were issued at £0.131 per share,
On 9 March 2018, 16,402,143 ordinary shares of £0.03 were issued at £0.18 5 per share,
On 6 June 2018, 588,235 ordinary shares of £0.03 were issued at £0.17 per share,
On 15 October 2018, 33,333,333 ordinary shares of £0.03 were issued at £0.03 per share,
On 19 October 2018, 22,818,401 ordinary shares of £0.03 were issued at £0.03 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 reserves	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.

18. 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 2018	**Year ended 31 December 2017**
	£'000	**£'000**
Options issued to employees and directors of parent	249	183
Options issued to employees of subsidiary	17	121
Included in share-based payments	**266**	**304**
Warrants issued for services received	22	-
Total share-based payments	**288**	**304**

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 2018		31 December 2017	
	Number	WAEP (£)	Number	WAEP (£)
At 1 January	7,829,755	0.17	8,849,365	0.17
Granted during the year	2,621,220	0.16	-	-
Forfeited/lapsed during the year	(1,328,988)	0.16	(1,019,610)	0.17
At 31 December	9,121,987	0.17	7,829,755	0.17

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 2018
EMI scheme	
Number of options	9,121,987
Exercise price range	0.13125- 0.17
Exercise period	December 2017 - January 2028

The weighted average remaining contractual life for the EMI share options outstanding at 31 December 2018 was 8.39 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 2018
	EMI
Weighted average fair value at grant date (£)	0.04
Weighted average share price (£)	0.13
Exercise price (£)	0.13125 & 0.17
Expected volatility	60%
Expected options life (years)	10
Expected dividends	0%
Risk-free interest rate	0.6%

Warrants

On During 2018, the company issued 2,444,118 (2017 - nil) share warrants at exercise price of 17p (2017 - nil) to the Group's advisers. These warrants are exercisable at any time during the period of 3 years from date of grant

	31 December 2018		31 December 2017	
	Number	WAEP (£)	Number	WAEP (£)
At 1 January	**567,531**	**0.17**	**567,531**	**0.17**
Granted during the year	2,444,118	0.03	-	-
Forfeited/lapsed during the year				
At 31 December	3,011,649	0.06	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:

	31 December 2018
Weighted average share price £	0.03
Weighted average fair value at grant date £	0.01
Expected volatility	60%
Expected options life – years	3
Expected dividends	-
Risk-free interest rate	0.6%

19. 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 2018 £'000	**Land and building 31 December 2017 £'000**
Within one year	20	86
Between one and five years	-	11
After more than five years	-	-
	20	97

20. Related Party Transactions

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

Related party	Transaction	Note	31 December 2018 £	31 December 2017 £
Ipsos Group S.A.	Sales	1	(433,862)	(415,711)
Reyco Limited	Non-Executive Director fees, IPO costs, placing fees and expenses	2	15,000	60,800
Metcalfe Consultancy Limited	Non-Executive Director fees, IPO costs, placing fees and expenses	3	30,000	60,800
Tranby Limited	Non-Executive Director fees	4	55,000	30,000
Kindred Agency Limited	Non-Executive Director fees	5	-	15,000
Nicholas Mustoe	Non-Executive Director fees		30,000	15,000

Amounts outstanding as at year end were as follows		
Ipsos Group S.A.	(155,579)	(131,162)
Metcalfe Consultancy Limited	15,000	8,500
Nicholas Mustoe	12,500	8,500

1. Ipsos MORI UK Limited, a subsidiary of Ipsos Group S.A., has a 20% holding in the company.
2. Mr. Adam Reynolds, a Non-Executive Director of Big Sofa Technologies Group plc is a Director of and has an interest in Reyco 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.
5. Mr. Nicholas Mustoe, a Non-Executive Director of Big Sofa Technologies Group plc is a Director of and has an interest in Kindred Agency Limited.

21. Events subsequent to the reporting date

New options grant

On 4 February 2019, the following new options were granted to certain executive directors:

Director	Position	Number of Options granted	Exercise price*
Kirsty Fuller	Executive Director	7,500,000	0.035
Matthew Lynch	Executive Director	3,500,000	0.035
Joe MacCarthy	Executive Director	2,500,000	0.035

**Mid-market closing share price on 4 February 2019*

Vesting conditions: all of the above options vest on 19 December 2019, save for those granted to Kirsty Fuller which vest in three equal annual tranches on 19 December 2019, 19 December 2020 and 19 December 2021, and require that the recipients remain in employment with the Company at the date of exercise. All of the above options may only be exercised if the volume weighted average share price on a 28-day rolling basis prior to the date of exercise is at least 6 pence per share.

Reissued options

The following directors have had existing options cancelled and the following options reissued:

Director	Position	Number of Options granted	Exercise price*
Matthew Lynch	Executive Director	451,485	0.035
Joe MacCarthy	Executive Director	1,920,448	0.035
Nicholas Mustoe	Non-Executive Director	1,276,944	0.035
Steven Metcalfe	Non-Executive Director	1,064,120	0.035
Simon Lidington	Non-Executive Director	554,426	0.035

**Mid-market closing share price on 4 February 2019*

Vesting conditions: all of the above options vest on 19 December 2019. All of the above options may only be exercised if the volume weighted average share price on a 28-day rolling basis prior to the date of exercise is at least 6 pence per share.

Employee Options

In addition to the directors' options described above, an aggregate 4,097,661 new and cancelled-and-reissued options have been granted to employees of the Company on the same terms as the reissued options described above which, together with the options described above, and 1,377,608 options granted at admission of the Company's shares to AIM which have not been cancelled-and-reissued, would, if fully exercised, result in the issue of an additional 24,242,692 ordinary shares of 3 pence each in the Company, representing 17.5 per cent of the current issued share capital of 138,750,692 as at the date of this announcement. This percentage is consistent with the Company limit described in the Company's AIM Admission Document dated 30 November 2016.

22. Ultimate controlling party

There is no ultimate controlling party of the Company.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Investments in subsidiaries	4	-	4,170
Long-term loans owing from subsidiaries	6	-	6,138
Total non-current assets		**-**	**10,308**
Current assets			
Trade and other receivables	5	50	231
Cash and cash equivalents	7	550	279
Total current assets		**600**	**510**
Total assets		**600**	**10,818**
Current liabilities			
Trade and other payables	8	109	176
Total current liabilities		**109**	**176**
Total liabilities		**109**	**176**
Net assets		**491**	**10,642**
Share capital	9	4,163	1,954
Share premium		9,545	6,969
Merger Relief Reserve		2,501	2,501
Share-based payment reserve		673	385
Retained losses		(16,391)	(1,167)
Total equity		**491**	**10,642**

These financial statements were approved and authorised for issue by the board of directors on 7 March 2019 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 2016	**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**
Equity as at 1 January 2018	**1,954**	**6,969**	**2,501**	**385**	**(1,167)**	**10,642**
Profit / (loss) for the year	-	-	-	-	(15,224)	(15,224)
Total comprehensive profit / (loss)	**-**	**-**	**-**	**-**	**(15,224)**	**(15,224)**
Issue of shares	2,209	2,672	-	-	-	4,881
Cost of share issue	-	(74)	-	-	-	(74)
Issue of share options	-	-	-	266	-	266
Issue of warrants	-	(22)	-	22	-	-
Equity as at 31 December 2018	**4,163**	**9,545**	**2,501**	**673**	**(16,391)**	**491**

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

COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities		
Operating profit / (loss) before taxation	(15,224)	320
Adjustments for:		
Share-based payments	266	304
Interest income	(662)	-
Impairment of investment in subsidiary and intercompany loans	15,817	-
Payment of director fees with share issue	63	50
Operating loss before working capital changes	**260**	**674**
Changes in working capital		
(Increase)/decrease in trade and other receivables	181	(95)
Increase /(decrease) in trade and other payables	(67)	44
Cash (used in) / generated by operations	**374**	**623**
Net cash outflow from operating activities	**374**	**623**
Investing activities		
Loans to subsidiary undertakings	(4,748)	(4,283)
Net cash flows used in investing activities	**(4,748)**	**(4,283)**
Financing activities		
Proceeds from issue of share capital	4,645	1,500
Net cash flows from financing activities	**4,645**	**1,500**
Net change in cash and cash equivalents	**271**	**(2,160)**
Cash and cash equivalents at the beginning of the year	279	2,439
Cash and cash equivalents at the end of the year	**550**	**279**

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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. This is detailed in the accounting policy Investments 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 loss for the year was £15,224,000 (2017: £320,000) 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 2018	**31 December 2017**
	£'000	**£'000**
Salaries (including directors)	-	-
Directors fees	130	133
Share-based payments (relating to employees)	266	304
Total staff costs	**396**	**437**

4. Investments in subsidiary undertakings

	Investment in subsidiary
	£
COST	
At 1 January 2017	**4,170**
Additions	-
At 31 December 2017	4,170
Additions	-
At 31 December 2018	**4,170**
IMPAIRMENT	
At 1 January 2017	-
Impairment of investment in subsidiary	-
At 31 December 2017	**-**
Impairment of investment in subsidiary	(4,170)
At 31 December 2018	**(4,170)**
Net book value	
At 31 December 2017	4,170
At 31 December 2018	-

Based on the future outlook of the subsidiary's ability to provide a return at the cost of equity required for investors, it was deemed appropriate to fully impair the Company's investment in Big Sofa Technologies Limited.

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 2018**	**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 2018 £'000	**31 December 2017 £'000**
Prepayments	50	41
Other receivables	-	190
Total	**50**	**231**

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

6. Net amounts due from subsidiaries

Amounts owing from subsidiaries were deemed to be irrecoverable during the year and have thus been fully impaired.

7. Cash and cash equivalents

	31 December 2018 £'000	**31 December 2017 £'000**
Cash at bank and in hand	550	279

8. Trade and other payables

	31 December 2018 £'000	31 December 2017 £'000
Trade payables	75	123
Accruals and deferred income	21	53
Other payables	13	-
Total trade and other payables	109	176

9. Share capital

For details of share capital see note 17 of the consolidated financial statements.

10. Share-based payments

For details of share-based payments see note 18 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

	Land and building 31 December 2018 £'000	Land and building 31 December 2017 £'000
Within one year	20	86
Between one and five years	-	11
After more than five years	-	-
	20	97

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 21 of the consolidated financial statements.

OFFICERS AND ADVISORS

Directors:	Nicholas Mustoe; Non-Executive Chairman Kirsty Fuller; Chief Executive Officer (Appointed as Director on 1 October 2018) Joe MacCarthy ACA; Chief Financial Officer Matt Lynch; Chief Strategy Officer Simon Lidington; Non-Executive Director (Served as CEO until 7 November 2018) Steven Metcalfe; Non-Executive Director John Haworth; Non-Executive Director (Appointed 26 September 2018) Paul Clark; Non-Executive Director (Resigned 10 October 2018) Laurence Stoclet; Non-Executive Director (Resigned 21 September 2018) Adam Reynolds; Non-Executive Director (Resigned 1 June 2018)
Company Secretary and registered office:	Joe MacCarthy ACA Finsgate 5-7 Cranwood Street London EC1V 9EE
Nominated advisor and broker:	Arden Partners plc 5 George Road Edgbaston Birmingham B15 1NP
Joint broker:	Novum Securities Limited 8-10 Grosvenor Gardens Belgravia 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 Kindred Agency Limited, 4th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF on 1 April 2019 at 9.00 a.m.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 10 will be proposed as ordinary resolutions and Resolution 11 will be proposed as a special resolution.

RESOLUTIONS

<u>Ordinary Business</u>

Resolution 1

THAT the Company's annual accounts for the financial year ended 31 December 2018, together with the directors' report and auditor's report thereon, be received and adopted.

Resolution 2

THAT Jeffreys Henry LLP be re-appointed as auditor 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.

Resolution 4

THAT Christina Fuller, who retires in accordance with the Company's articles of association, be re-appointed as a director of the Company.

Resolution 5

THAT John Haworth, who retires in accordance with the Company's articles of association, be re-appointed as a director of the Company.

Resolution 6

THAT Matthew Lynch, who retires in accordance with the Company's articles of association, be re-appointed as a director of the Company.

Resolution 7

THAT Joseph MacCarthy, who retires in accordance with the Company's articles of association, be re-appointed as a director of the Company.

Resolution 8

THAT Steven Metcalfe, who retires in accordance with the Company's articles of association, be re-appointed as a director of the Company.

Resolution 9

THAT Nicholas Mustoe, who retires in accordance with the Company's articles of association, be re-appointed as a director of the Company.

Special Business

Resolution 10

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 £2,775,000 (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 £1,050,000 (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 £2,775,000),

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 11

THAT, subject to the passing of Resolution 10, 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:

1. 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 10, by way of a rights issue only):

    (a) to the 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. the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraph 1 of this Resolution 11) to any person up to an aggregate nominal amount of £1,050,000.

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

Joseph MacCarthy
Company Secretary

8 March 2019

Registered office:

Finsgate
5-7 Cranwood Street
London EC1V 9EE

Registered number: 07847321

EXPLANATORY NOTES:
An explanation of each of the resolutions is set out below.

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 auditor's report on the accounts. At the AGM, the directors will present these documents to the shareholders for the financial year ended 31 December 2018.

Resolution 2 – Re-appointment of auditor

The Company's auditor is 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 auditor), are proposing the re-appointment of Jeffreys Henry LLP as auditor until the conclusion of the next general meeting at which accounts are laid, that is, the next annual general meeting.

Resolution 3 – Auditor's remuneration

This resolution authorises the directors to fix the auditor's remuneration.

Resolutions 4 to 9 – Re-appointment of directors

These resolutions concern the re-appointment of all of the directors of the Company (other than Simon Lidington), each of whom is retiring at the AGM in accordance with the Company's articles of association. The Company announced on 8 March 2019 that Simon Lidington will be stepping down from the Board with effect from 1 April 2019 so his re-appointment as a director will not be proposed at the AGM.

Biographies of each of the directors are set out on pages 15 to 16 of the report and accounts for the financial year ended 31 December 2018.

Resolution 10 – Directors' power to allot shares

This resolution, if passed, 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 £2,775,000 which represents approximately two thirds of the Company's issued ordinary shares (excluding treasury shares) as at 7 March 2019 (being the latest practicable date before publication of this Notice of Annual General Meeting). 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 £1,050,000 which represents approximately 25% of the Company's issued ordinary shares (excluding treasury shares) as at 7 March 2019. This maximum is reduced so that the nominal amount of any equity securities allotted under the authority set out in paragraph 1 and paragraph 2 does not exceed £2,775,000. 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.

Resolution 11 – Directors' power to issue shares for cash

This resolution, if passed, 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 £1,050,000, representing approximately 25% of the nominal value of the issued ordinary share capital of the Company as at 7 March 2019 (being the latest practicable date before publication of this Notice of Annual General Meeting). 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.

PAPERLESS PROXY VOTING:

You will not receive a form of proxy for the AGM in the post. Instead, Shareholders are being encouraged to vote online by logging on to www.signalshares.com and following the instructions given. You will still be able to vote in person at the AGM and you may request a hard copy form of proxy from the Company's registrars, Link Asset Services, by post to 34 Beckenham Road, Beckenham, Kent BR3 4TU or by calling 0871 664 0300 from the UK (calls cost 12 pence per minute plus network extras) or +44 371 664 0300 from outside the UK (calls will be charged at the applicable international rate).

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 Annual General Meeting. 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. Members can:

   - register their proxy appointment electronically (see note 5);
   - appoint a proxy or proxies and give proxy instructions by returning a hard copy form of proxy by post (see note 6); and
   - if a CREST member, register their proxy appointment by utilising the CREST electronic proxy appointment service (see note 7).

3. 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.

4. 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, alternatively, request additional copies of the Form of Proxy from Link Asset Services by contacting them on 0871 664 0300 from the UK (calls cost 12 pence per minute plus network extras) or +44 371 664 0300 from outside the UK (calls will be charged at the applicable international rate). Lines are open Monday to Friday, 9.00 a.m. to 5.30 p.m., excluding public holidays in England and Wales. 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).

5. To appoint a proxy electronically go to www.signalshares.com, log in, select the 'Proxy Voting' link and follow the instructions given. If you have not previously registered, you will first be asked to register as a new user, for which you will require your investor code (which can be found on your share certificate and dividend confirmation), family name and postcode (if resident in the UK). If you need help with appointing a proxy electronically, contact Link Asset Services on 0871 664 0300 from the UK (calls cost 12 pence per minute plus network extras) or +44 371 664 0300 from outside the UK (calls will be charged at the applicable international rate). For an electronic proxy appointment to be valid, your appointment must be received by Link Asset Services by no later than 9.00 a.m. on 28 March 2019.

6. Alternatively members can request a hard copy form of proxy by contacting our Registrars, Link Asset Services, on 0871 664 0300 from the UK (calls cost 12 pence per minute plus network extras) or +44 371 664 0300 from outside the UK (calls will be charged at the applicable international rate). To appoint a proxy using a hard copy form of proxy, 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 4ZF; and (iii) received by the Company's Registrars no later than 9.00 a.m. on 28 March 2019.

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   For a proxy appointment or instructions made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Link Asset Services (ID RA10) no later than 9.00 a.m. on 28 March 2019, or, in the event of an adjournment of the meeting, 48 hours (excluding any part of a day that is not a working day) before the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. 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.

9. 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).

10. 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.

11. 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.

12. 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.

13. 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 28 March 2019. 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.

14. 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.

15. 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 close of business on 28 March 2019 (or, if the AGM is adjourned, at close of business on the day two working days prior to the adjourned meeting) shall be entitled to attend, speak 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.

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

17. As at 7 March 2019 (being the last business day prior to the publication of this Notice of Annual General Meeting) the Company's issued share capital consists of 138,750,692 ordinary shares of £0.03 each, carrying one vote each. The total voting rights in the Company as at close of business on 7 March 2019 are therefore 138,750,692.